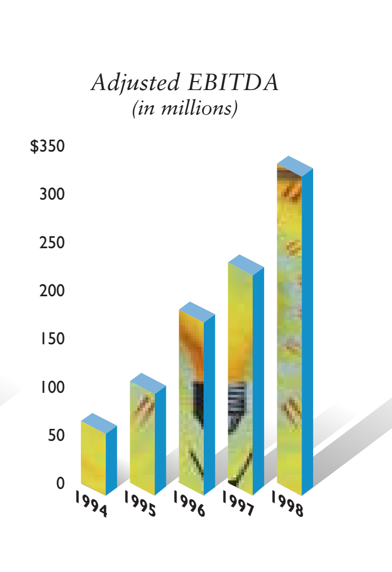
SINCLAIR BROADCAST GROUP

We are Shaping the Changing Broadcast Landscape



1998 ANNUAL REPORT

1971 UHF pioneer Julian Sinclair Smith goes on the air in Baltimore with WBFF-TV, our flagship station. WBFF-TV becomes the first UHF station in Baltimore and among the very first in the country. Today, UHF broadcasters are an important presence in virtually every market in the country.

1986 Sinclair Broadcast Group (SBG) is founded. With UHF broadcasting starting to change the shape of the television landscape, Julian Sinclair Smith's four sons envision a powerful new distribution network created by acquiring existing UHF stations. They initiate the long-term financial planning that will ultimately launch SBG as a major consolidator in the broadcast industry.

1990 The four Smith brothers purchase the remaining interests in SBG from their parents. Newly recapitalized, SBG sets out to turn the vision of a national distribution platform into reality, embarking on a strategy of rapid growth.

1991 SBG acquires WPGH-TV in Pittsburgh and introduces the local marketing agreement (LMA), a visionary new strategy to build value for the Company and local communities. LMAs enable SBG to program a second station within the guidelines of the FCC in markets where we already own a station. SBG now operates 21 LMAs nationwide, bringing high quality programming from networks like The WB or UPN into new markets and introducing the possibility of additional news programming for local communities.

1994 In agreeing to acquire four stations from ABRY Partners plus options on additional properties, SBG effectively doubles in size and adds its second and third LMA markets.

1995 Rapidly growing SBG goes public in June 1995, with an initial public offering realizing approximately $111.5 million. SBG continues to consolidate, adding five stations, in four markets.

1996 SBG buys River City Broadcasting, merging management teams to form the nation's largest commercial television broadcasting company that neither owns nor is owned by a network. Now owning 28 TV stations in 21 markets, and 23 radio stations in seven markets, SBG uses economies of scale to improve margins and maximize program purchasing power.

1997 SBG signs a landmark affiliation agreement with The WB, calling for cash compensation to SBG over the length of the 10 year contract. The agreement marks the first time that either The WB or UPN has offered network compensation of any magnitude to its affiliates, clearly demonstrating the industry leverage provided by our powerful distribution system and validating SBG's strategy of aligning stations with fully integrated and branded networks.

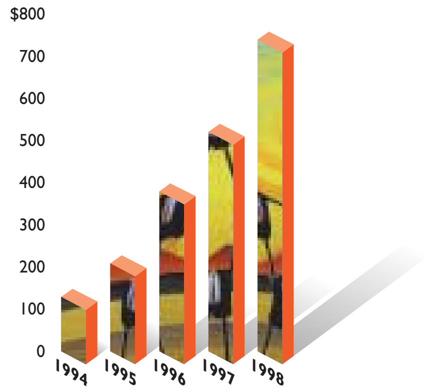
The FCC accelerates the shift of the television industry from analog to digital broadcasting (DTV) by granting the first digital licenses to broadcasters. SBG proposes multi-channel television as an alternative to high definition television (HDTV).

1998 SBG again doubles in size, emerging as one of the largest broadcasting companies in the United States and one of the top 10 radio broadcasters. 1997–98 acquisitions give the Company ownership of, or the right to program and/or sell advertising on, 59 television stations in 39 markets and 51 radio stations in 10 markets. SBG can now offer television syndicators 24.4% of the national television households, a figure that exceeds the combined households of the nation's seven largest markets.

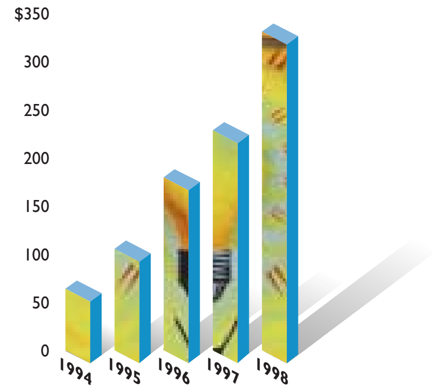
For 1998:

Total Revenue increased 42.7%
Adjusted EBITDA increased 44.7%
After Tax Cash Flow per Share increased 33.1%

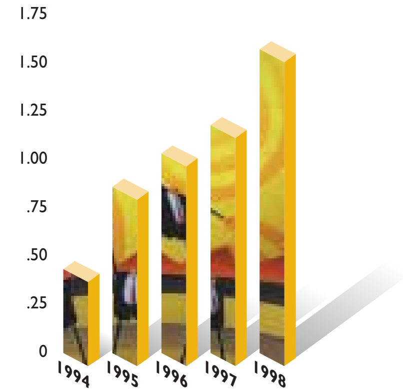
Total Revenue
(in millions)



Adjusted EBITDA
(in millions)



After Tax Cash Flow/Share
(in dollars)



Financial Highlights *(In Thousands, Except Per Share Data)*

	1994	1995	1996	1997	1998
Total Revenue	$129,354	$206,134	$ 378,488	$ 516,435	$ 736,804
Adjusted EBITDA	64,547	105,750	180,272	229,000	331,329
Basic Net Income (Loss) Per Share					
Before Extraordinary Items	$ (0.05)	$ 0.08	$ 0.02	$ (0.10)	$ (0.17)
Total Assets	399,328	605,272	1,707,297	2,034,234	3,854,582
Total Debt	346,270	418,171	1,288,103	1,080,722	2,327,221
After Tax Cash Flow Per Share	$ 0.43	$ 0.85	$ 1.04	$ 1.18[(1)]	$ 1.57
Adjusted EBITDA Margin	54.4%	56.3%	52.0%	48.6%	49.2%

(1) The After Tax Per Share amount for 1997 excludes a $10.6 million tax benefit resulting from the carryback of Federal NOLs.

HAS POWERED CONTINUOUS GROWTH

SINCE 1971, SBG'S PIONEERING SPIRIT

LETTER TO OUR *Shareholders:*

DAVID D. SMITH
Chairman, President and CEO

Sinclair Broadcast Group, Inc. (SBG) continued to change the shape of the broadcast industry in 1998 as we moved confidently towards our goal of becoming the nation's largest independent broadcaster. Our continued consolidation of television and radio stations propelled us to record levels of net revenue, broadcast cash flow and after-tax cash flow. We also encountered, as expected, the temporary downside of a major acquisition program: a higher than desirable leverage ratio which has depressed our stock price over the past year. While we are taking steps to restore our leverage ratio to its target level, we remain excited about the strong growth potential of our company and the technological promise of our industry. Our many successes in 1998—as well as the obstacles we faced—result from the ground-breaking, long-term strategies we've implemented. The pages that follow my letter in this report outline those strategies for you. We begin 1999 optimistic about the future and convinced that we will fulfill the long-term potential of our broadcast platform.

REACHING RECORD REVENUE LEVELS

Total revenues rose 42.7% in 1998, consolidated broadcast cash flow increased 43.8%, and after tax cash flow per share rose 33.1%. Although these results primarily reflect our acquisitions, SBG's stations performed admirably in 1998, considering the television operating environment. Television Division revenues rose on a pro forma basis 2.3%, compared to 6.7% for the industry as a whole. In an election year where political advertising alone added two to three percentage points to total revenues, network affiliated stations with historically stronger newscasts captured a higher share of political dollars. The fact that we currently provide news programming on 25 stations magnified the impact of the election year, since stations with news programming received a far greater share of political advertising than those without it. On the other hand, the Winter Olympics on CBS also boosted industry revenue, and as a broadcaster primarily affiliated with the emerging networks, only one of our stations participated in the advertising associated with that event. The Radio Division continued its superior performance, outpacing market growth of 7.8% with a 10.6% growth rate in revenues on a pro forma basis.

RESPONDING TO THE MARKET'S CONCERNS

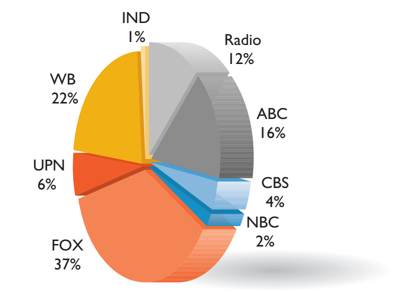
Despite these results, the price per share of SBG stock fell 16.1% in 1998. This drop, in our opinion, was a response to a sluggish national advertising environment, temporary setbacks in the assimilation of recently acquired stations and the increase in our acquisition-related financial leverage. While we understand the market's concerns, in our view, this decline represents an over-reaction to the side effects of our acquisition program and fails to consider the fundamental strength of our business and the long-term value of our distribution system. In addition to improving the operations of our recently acquired stations, we are taking steps to improve our leverage position. Last October we announced plans to enter into agreements to sell selected television and radio stations not central to our business strategy. We have announced approximately $140 million in divestitures and terminated transactions as of March 31, 1999, and are actively planning to sell an additional $35 million in properties. When those transactions are concluded, we will decide whether reaching our target leverage ratio requires further divestitures.

ASSIMILATING OUR ACQUISITIONS

From an operating perspective, we spent most of 1998 assimilating the 28 TV and 32 radio stations we acquired and began programming in 1997 and 1998. We began applying organization-wide best practices to our new properties, lowering operating costs by eliminating unproductive expenditures, and thereby freeing resources to enhance promotion, sales and programming, including local newscasts. As a result, certain stations that were performing modestly when we acquired them have become strong revenue producers. For example, our owned and programmed stations in Las Vegas, KVWB-TV and KFBT-TV, grew dramatically in 1998 and the broadcast cash flow of our Minneapolis station, KMWB-TV, more than doubled. By combining cost control practices with economies of scale, the strength of our national distribution system and sound marketing practices, SBG's station group improved upon its already strong profit margins.

We also began to take advantage of markets metered by Nielson Media Research (NMR). Because meters provide a more accurate assessment of television viewership than manual diaries, particularly in the demographic samples of key younger viewers, the audience share of UHF stations typically increases 20–30% in metered markets. During the November sweeps, NMR launched meters in Las Vegas, Birmingham and Raleigh where we have affiliates of The WB and UPN. On average, these stations recorded a 33% ratings increase. The growth in the young adult audience share delivered by the emerging networks, as now more accurately measured by NMR in these markets, translates into higher advertising revenues. In April, when NMR adds meters in Norfolk and Oklahoma City, over 61% of our distribution system (as measured by the coverage of U.S. television households) will be metered, providing an audience advantage that will further help us outperform the marketplace.

1998 Pro Forma BCF



USING CROSS-OWNERSHIP TO CAPITALIZE ON THE GROWING RADIO BUSINESS

With 51 radio stations, 17 AM and 34 FM broadcasting a variety of programming formats including Country, Urban, News/Talk/Sports, Contemporary Hits, Rock, Oldies and Adult Contemporary, SBG is now one of the nation's top 10 largest radio groups in terms of revenue. We plan to continue to build the radio group, focusing on markets where we already own television stations, and apply our revenue enhancing and programming strategies to new properties. We expect that, just as with our newly acquired television stations, growth in these radio properties, combined with our strategy of cross-ownership, should continue to increase cash flow and improve margins over time.

DAVID B. AMY
Chief Financial Officer

1998: A YEAR OF *Consolidation...*

PURSUING OUR STRATEGY OF CONSOLIDATION

We completed and/or announced several strategic acquisitions in 1998 including:

- Heritage, a group of three television stations in two markets and thirteen radio stations in five markets;
- Sullivan Broadcast Holdings, a primarily FOX affiliate group of six television stations and six LMAs (local marketing agreements) in ten markets;
- Max Media, a group of nine smaller market television stations in six markets and eight radio stations in two markets that expanded by two the number of markets where we have television and radio together;
- Guy Gannett Communications, comprising seven television stations in six markets, strengthening our station clusters in the Northeast and the Midwest while adding to our growing presence in Florida. Since we already own WUHF-TV in the Rochester, New York market, we are selling the Guy Gannett station there. We have also agreed to sell KGAN-TV in Cedar Rapids, IA, and WICS/WICD-TV in Champaign-Springfield.
- KMWB-TV, a WB affiliate in Minneapolis, Minnesota, which now has the resources to compete in the nation's 15th largest television market;
- WSYX-TV, an ABC affiliate in Columbus, Ohio, which opened an additional LMA opportunity and immediately transformed Columbus into our largest cash flowing market;
- WNEQ-TV, a PBS station in Buffalo, New York, that we expect to program as a commercial television station upon receipt of regulatory approval;
- and KXOK, a radio station in St. Louis that enhances our already strong radio and television presence there.

SBG also entered into a ten-year agreement effective January 1, 1999, to program WTTA-TV in Tampa, Florida, establishing that station as a full commercial television station in the nation's 14th largest market and allowing us to reach an additional 1.5% of the country, raising the Company's total national coverage to nearly 25%.

...we are acting to better our leverage position. Last October we announced plans to enter into agreements to sell selected television and radio stations not central to our business strategy. We have announced approximately $140 million in divestitures as of March 31, 1999, and are planning to sell an additional $35 million in properties. When those transactions are concluded, we will decide whether reaching our target leverage ratio requires further divestitures.

INVESTING IN TECHNOLOGY

Certainly the most important factor changing the shape of the broadcast landscape today is the move to digital technology. To ensure that SBG can take advantage of the exciting possibilities unfolding in our industry, we need access to high quality digital equipment in a timely fashion. That is why we have made a minority investment in Acrodyne Communications, Inc., a supplier of transmission equipment. As part of our agreement, we will serve on Acrodyne's board of directors along with other senior management including Nat Ostroff, Vice President/New Technology. Mr. Ostroff will also serve on Acrodyne's management committee. Mr. Ostroff and Mr. Smith both have transmitter marketing experience, and Mr. Ostroff is the original founder of Acrodyne.

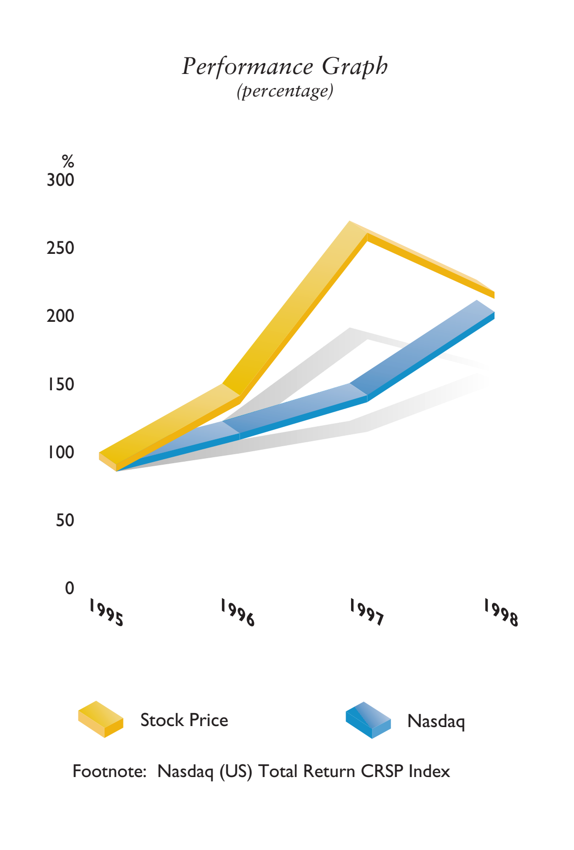
STAYING THE COURSE

SBG's deep and talented management team gives us the confidence to stay our course even when the road is less than smooth. We were sorry to learn in February that Barry Baker, the CEO-designate of Sinclair Communications, had decided to leave SBG to pursue other business interests. We are grateful to Barry for his entrepreneurial spirit, leadership and expertise over the past three years. We wish him well in the future, and while we will miss him, he leaves no void in leadership. Our top managers are experienced, operationally oriented broadcasters who understand how to build our local franchises. To ensure a smooth transition to a new leadership team, we have personally become more involved in the daily operations of our company. As always, we appreciate your trust as we continue to shape America's changing broadcast landscape.

Sincerely,

David D. Smith
Chairman, President and CEO

David B. Amy
Chief Financial Officer



Despite a drop of 16% for the year, SBGI has still outperformed the Nasdaq (US) Total Return Index over the past three years with a closing price for 1998 of $\$19\frac{9}{16}$.

POSITIONING STATIONS WITH GROWING NETWORKS AND MEDIUMS

BILL BUTLER, *VP/Programming, Television*

"Advertisers want targeted audiences, and the beauty of the high-growth, newer networks is not only that they provide increased viewership, but that they provide a very efficient medium for advertisers to reach tight demographic targets. As a growth oriented company, however, we strive to balance the networks. In a given market, we can reach many different advertisers' target audiences. If an advertiser wants to reach adults 25–49, we have CBS and NBC. If they want a younger audience, we have ABC and FOX, and if they want the 18–34 or 18–49 age brackets, we can offer The WB and UPN."

MIKE GRANADOS, *Regional Director and General Manager, San Antonio*

"The benefits of operating a FOX or WB affiliate are enormous right now. Prime time on both networks gives our stations access to audiences we could not reach as independents, supporting our local news and syndicated programming. Most important, FOX and The WB give our stations credibility with media buyers. The WB, in particular, is seen as the most successful emerging network. Local and national buyers want to be part of it, and their hunger boosts our revenues."

Growth Networks

In 1998, SBG emerged as one of the nation's largest commercial television station group operators—and the most diversified *broadcast company in the country. In addition to being the largest FOX and WB affiliate group, with 20 FOX and 17 WB stations, we are among the nation's largest radio group operators. 72% of our 1998 pro forma broadcast cash flow came from our affiliations with FOX, The WB and our radio group.*

DELIVERING THE TARGET AUDIENCE TO ADVERTISERS

Radio, The WB and FOX share two characteristics that make them excellent choices for advertisers: they offer steadily increasing growth and superior targetability. While 37% of people 12 and older never pick up a daily newspaper, car radio reaches 81.8% of adults over 18 every week, often while they are on their way to shop or work. Figures like these encouraged advertisers to spend over $15.4 billion on radio in 1998, a 12% increase over 1997. On the television side of our business, FOX, The WB and UPN have been steadily drawing viewers away from the major networks, particularly in the young adult demographic—the 18–34 and 18–49 age brackets. The WB, in particular, targets the 12–34 age bracket and has successfully established itself as the fastest-growing network on television. Its prime-time ratings alone improved 21.5% last season, thanks to popular new programs including "Felicity," "Dawson's Creek" and "7th Heaven" and the strong distribution offered by our stations. Our 1997 affiliation agreements with FOX and The WB extended our grasp on this profitable market, and our 1997–98 acquisitions expanded our stable of FOX and WB affiliates from 21 to 37. SBG has based its active consolidation and cross-ownership strategies over the past three years on the demonstrated growth of radio and the increasing potential of the emerging networks. Wherever possible, we will continue to seek multiple voices in a market, whether through cross-ownership of radio and television stations, LMAs or ownership of additional television stations, and combine those voices to provide advertisers with the audiences they seek.

AUGMENTING THE NETWORK BRAND WITH STRONG SYNDICATED AND LOCAL PROGRAMMING

Popular syndicated programming and local newscasts are also powerful tools in delivering the young adult demographic. We generate a significant portion of our revenues from the prime time access hours, 5–8 p.m., when we own nearly all of the commercial inventory. Our distribution system enables us to buy sought-after shows such as "Friends," "3rd Rock from the Sun," "The Drew Carey Show," and the latest off-network sensation, "Judge Judy," at highly competitive rates as soon as they become available and for as many of our stations as appropriate. We support these profitable shows and our local news programming with active promotion, building audience ratings strength which translates into increased cash flow.

USING METERED MARKETS TO REINFORCE THE AUDIENCE DELIVERY OF THE EMERGING NETWORKS AND OUR LOCAL PROGRAMMING

Through our ongoing partnership with NMR, we encourage the metering of markets where SBG has stations. Because meters provide a more accurate assessment of viewership than manual diaries, particularly in the demographic samples of key younger viewers, the audience share of UHF stations typically increases 20–30% in metered markets. During the November sweeps NMR launched meters in Las Vegas, Birmingham and Raleigh where we have affiliates of The WB and UPN. On average, we recorded a 33% ratings increase for our stations. In January 1999, meters in Raleigh and Birmingham showed our WB stations beating their FOX, UPN and major network competitors in the 8–10 p.m. time period in both ratings and audience share. The growth in the young adult audience share delivered by the emerging networks translates directly into higher advertising revenues. In April when NMR adds meters in Norfolk and Oklahoma City, over 61% of our distribution system will be metered, providing an audience advantage that will further help SBG outperform the marketplace.

CAPITALIZING ON CROSS-OWNERSHIP OF RADIO AND TELEVISION

BARRY DRAKE, *CEO, Radio Division*

"Cross-ownership takes us right into the decision-maker's office at the client level. Executives who wouldn't be interested in the presentations of a single radio or TV station are suddenly very excited by the impact that several radio stations working with one or two TV stations can have. In St. Louis we put together a campaign for an automotive dealer using four radio stations and our ABC affiliate that expanded the universe for electronic media. The revenue we captured there was not only new for us, it came from the dealer's print budget."

BONNI BURNS, *General Sales Manager, KDNL-TV*

"With cross-ownership, TV and radio sales people work together to get an even bigger piece of the pie. We targeted the automotive industry first in St. Louis because it represents nearly 30% of our radio and TV advertising revenues. As part of a coordinated campaign, we'll bring several of our stations together to do a promotion at a dealership. Each station spends less to generate more revenue—and, we boost sales immediately for the client because people come out to see our personalities. With the competition the broadcast industry faces today, if we can't think ahead or differently than the next guy, we'll be dinosaurs."

Cross Ownership

Starting in 1996 when SBG acquired River City Broadcasting, radio has played a crucial role in SBG's growth strategy. With 51 radio stations, 17 AM and 34 FM, broadcasting a variety of programming formats including Country, Urban, News/Talk/Sports, Contemporary Hits, Rock, Oldies and Adult Contemporary, SBG is now one of the nation's top 10 largest radio groups in terms of the number of stations owned and an active consolidator of both radio and television stations. Looking ahead, we see cross-ownership of radio and television stations in a single market as a model for future acquisitions.

CAPITALIZING ON CROSS-OWNERSHIP OF RADIO AND TELEVISION

Radio is a strong growth business. The industry as a whole has expanded steadily throughout the decade, with radio stations now capturing 7.4% of all advertising dollars in the country, up from 6.7% in 1990. Over the last five years, advertising on radio stations has grown faster than advertising on any other medium except cable, rising at a compound rate of 9.5% between 1992–1997. Our stations are consistently outperforming their markets. For 1998, pro forma revenue growth in our markets rose 7.8%, while our stations' growth exceeded 10.6%. In nine of our ten radio markets, SBG stations were among the top three in revenue share. SBG currently captures at least 20% of radio advertising revenues in all its markets (other than Milwaukee) and reaches one-quarter in most of them. SBG's leadership position in its markets provides insulation against inevitable periods of advertising recession.

BUILDING ON A LOYAL AUDIENCE BASE TO CREATE LONG-TERM GROWTH

Our radio strategy is simple and direct. We strive to build a loyal audience base by offering appealing formats and "branding" our stations with strong local air personalities as well as programming and promotional events. We then use our listener base to cultivate a broad array of advertisers and support those advertisers with value-added promotions and marketing strategies. We attract new advertisers by demonstrating the benefits of both the medium and our stations. Cross-ownership of radio and television stations in the same market is both a natural expansion of that strategy and central to our vision of radio's future. From our perspective, long-term growth in radio will come from two sources: further competitive inroads against other media as consolidation makes radio increasingly attractive to national advertisers, and cross-ownership.

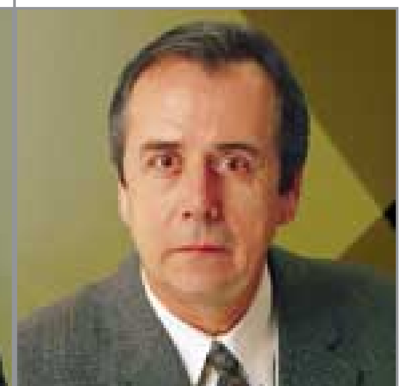
CREATING A MODEL FOR THE FUTURE

That is why, as we continue to consolidate radio station groups primarily in markets 15–75, we are focusing on markets where SBG owns television stations. At year end 1998, SBG owned television and radio stations together in seven markets, up from one at year end 1997, and in each market, cross-ownership should improve our competitive position. The eyes and ears of America are watching and listening to broadcast television and radio. Taken together, the two account for over 70% of the time people spend on major media. Cross-ownership maximizes our audience and creates an aura of success that helps us attract top quality personnel. In the Greenville-Asheville market, for example, we own an ABC-affiliated station, program an independent station that will become a WB affiliate on November 1, 1999, and own five FM radio stations. We also sell ad time on two additional radio stations. This broad product line-up helps us compete with other TV and radio stations in the market as well as with the local newspaper. We have a combined TV and radio sales force in Greenville-Asheville of over 40 people and have been able to capture a significant share of an advertiser's budget by packaging a combination of media, programs and stations that deliver desired demographics.

MIKE SILECK, *VP/Finance, Television and Radio*

"Our goal is to maintain a flat to declining cost structure while still growing the business. To do that, we zero-base our budgets every year, taking a line by line look at the expenditures at all our stations. We also apply benchmarks for best practices across the whole group. If we find a great money saving idea in Pittsburgh, we'll replicate it across the Company, magnifying the efficiencies. Then we'll invest those operational savings in growth, such as expanding or creating local newscasts in markets like Dayton, Columbus and Pittsburgh."

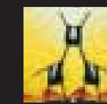
SAM STALLWORTH, *General Manager, Columbus*



"Expanding margins starts with good people working in a collegial atmosphere. We take a three-pronged approach: maximizing revenues through a top-notch sales force; continually upgrading our product to deliver the targeted audiences advertisers want; and practicing tight fiscal and inventory control. In Columbus, we own an ABC affiliate and program a FOX affiliate. Where it makes financial sense—in news production, for instance—we combine operations. When it's more profitable to keep them separate—as with our sales forces—we do. In just two years, we've been able to raise our margins in Columbus by over three percentage points."

Profit Margins

SBG has been an active consolidator of radio and television stations: from a base of three UHF stations in 1991, SBG has built a platform of 59 television and 51 radio stations, using specific acquisition criteria to complete $3.5 billion in transactions since 1995 alone. By combining economies of scale and the strength of our national distribution system, SBG has recorded industry leading profit margins for television and market exceeding growth rates in radio.



USING OUR DISTRIBUTION SYSTEM TO MANAGE COSTS

SBG has historically focused on lowering operating costs by eliminating unproductive expenditures, freeing resources to enhance promotion, sales and programming, including local newscasts. Our strategy of consolidation over the past three years has dramatically improved our ability to manage the cost of programming—the single largest expense for television stations. At 16% of net revenue, our television programming costs are six to seven percentage points lower than those of the average Big Four network affiliates and approximately 16 percentage points better than the average affiliate of The WB and UPN.

Our extensive, national distribution system means that the Company can:

- command attractive prices for syndicated programs such as "Seinfeld" and first-run, off-network programs like "Judge Judy";
- sign lucrative affiliation agreements—our agreement with The WB, for example, adds exciting prime-time and children's programming while providing for annual cash compensation to Sinclair, virtually all of which falls to our bottom line; and
- reach favorable vendor agreements with TeleRep/HRP and Seltel, the premier television national sales representation organizations in the country, and Nielsen Media Research, a national ratings service. These agreements have helped reduce the Company's sales expenses, while creating a partnership with important service providers.

EXPANDING MARGINS AND INCREASING CHOICE THROUGH LMAs

The LMA concept is a key component in our drive to maximize margins. LMAs enable us to program a second television station within the guidelines of the Federal Communications Commission (FCC) in markets where SBG already owns a station. For the Company, LMAs provide economies of scale in operating costs and allow us to maximize the value of programming by counter-programming the other station to enlarge our audience. The size and diversity of this dual audience, in turn, enables us to capture a significant share of an advertiser's budget by providing attractive packages of programs, times and stations that deliver desired demographics. For the 20 communities where we have them, LMAs offer numerous benefits: they enhance the competitive position of the LMA station, bring high quality programming from networks like The WB or UPN into new markets, and introduce the possibility of additional news programming on the owned and LMA station. News is attractive to the community and profitable for the Company: in 1998, an election year where political advertising added 2–3% to total revenues, stations with news programming received a far greater share of political advertising than stations without it. SBG currently provides news programming on 22 stations, up from one in 1995. In Columbus, our LMA station provides the only 10 p.m. newscast in the marketplace. The evening newscast we launched on our LMA station in Baltimore in 1997 is demographically the number two news program in the market, consistently beating in the Nielson ratings the local newscasts of both the local NBC and ABC affiliates in the key categories of young women, young adults and young men. We are able to offer both of these popular and profitable newscasts only because we have successful news operations on owned stations in Columbus and Baltimore, providing the "backbone" necessary to expand local news programming cost-effectively. By focusing on expanding margins wherever possible, we are able to invest in growth for the Company and quality programming for viewers.

APPLYING OUR MARGIN STRATEGY TO RADIO

As we continue to consolidate radio station groups, we work vigorously to reduce operating expenses at our stations. As a result, margins on radio markets SBG has owned over the last two years have increased from 29% to 39%. Our acquisition strategy includes fill-in acquisitions of underperforming stations. The growth we expect in these stick properties, combined with expected economies of scale from consolidating markets, should continue to provide increasing cash flow margins over time.

NAT OSTROFF, *VP/New Technology*

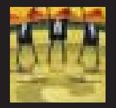
"There are two major technological forces working now to reshape the broadcast industry: digital television and the Internet. SBG is taking a leadership role in the creation of new revenue streams based on these forces. By favoring multicasting over high definition television, we open ourselves to many new business models. For example, we could use the new spectrum to create multiple program channels, and, at the same time, develop Internet businesses and use our radio and television network to promote them. The most exciting challenge is knitting together all the possibilities into the strategy that works best for us."

DAVID OSTMO, *Regional Technical Manager*

"Through 'Supercast' we offer viewers in Baltimore and Sacramento an interactive web page closely linked to our local news operation. In 1999, we're planning to expand Supercast to each of our other markets. Digital technology offers viewers the potential for much greater interactivity. We expect multicasting to give people a better picture and a wider variety of choices. We should be able to offer football viewers, for instance, a game on one channel, stats and discussion on another, and instant replays on another, all linked to a Supercast-type site where they can interact with analysts, personalities and other viewers."

New Technology

In promoting multicasting as an alternative to HDTV, SBG is leading the way in determining how the television industry will use the new spectrum generated by its conversion from analog to digital technology. We believe that new technology offers exciting opportunities for broadcast television to compete with or supplement cable and satellite television services and to enter a wide range of Internet and data transmission businesses for the first time.



FOCUSING ON A CONSUMER-DRIVEN VISION

Digital television (DTV) is fundamentally a high speed data link from television stations to their audiences. That datalink can be used in a number of exciting ways. The question before the industry today is how to use that link. Should we provide one high definition television (HDTV) channel, which would exhaust all of the DTV bandwidth? Or, should we opt for multicasting, which, by splitting the new bandwidth into several channels, provides a clearer picture than available from analog technology, plus a platform for applications that may include delivery of Internet "push" technology, digital home shopping, music CDs and movies. The multicasting format SBG supports will resemble HDTV, but offer far more options: the signature wide-screen format, enhanced picture resolution, CD quality sound, and the opportunity to broadcast multiple channels from one station. Since over-the-air digital broadcasting does not require the infrastructure of a wired network or satellite delivery, DTV may represent a potentially valuable way of distributing multi-channel television. In addition, we expect home computers will be able to download information continuously at speeds up to 18 times faster than available today by 56k modem, without having to dial in to the Internet.

TURNING OUR VISION INTO REALITY

In June 1998, SBG successfully presented the nation's first on-air demonstration of multichannel television, linking the bandwidths of WBFF-TV and WNUV-TV, both in Baltimore, to create multiple channel options. While we showed that the quality of multiple broadcast signals were as good or better than those delivered by a single channel when displayed on DTV sets equivalent in height to today's 35" sets, we were disappointed in the performance of the available digital receivers and are hopeful that the commercial electronics industry will respond with improvements. We continue to build consensus for multicasting within the industry and in Washington, D.C., and we are encouraged by the responses of our fellow broadcasters and our regulators. Ultimately, SBG may form a consortium with other broadcasters in a market to deliver a cable-like product. At the same time, we are continuing to expand our Supercast network of locally-based interactive web sites linked to local television stations which may eventually provide a foundation from which to launch Internet businesses.

COMPLETING THE TRANSITION FROM ANALOG TO DIGITAL TECHNOLOGY

To comply with FCC regulations, we are preparing to broadcast digital signals at four of our stations in Baltimore, Sacramento, St. Louis and Pittsburgh by the end of 1999 and to complete the transition of all of our stations to digital technology by 2002. To ensure that we have access to high quality digital equipment in a timely fashion, we have made an investment in Acrodyne Communications, Inc., a leading supplier of transmission equipment. Now at 32%, SBG's investment in Acrodyne could grow to 51% in the event that our involvement with Acrodyne results in greater sales, particularly from digital transmitters. We are confident that this investment will help us pursue new business strategies in a rapidly changing industry.

1998 Awards...


News Awards

Television

KDNL—Regional Emmy Award for News Feature—Hard News/Andy Banker
KETK—Region 56 News Gavel Award
WBFF/WNUV—Ten Local 1998 Emmy Awards including two "Best News Program"
WBFF/WNUV—Six Local 1998 Associated Press Awards
WEAR—Pensacola Area Chamber of Commerce Excellence in Service Award
WKEF—MDA Broadcast Journalism Award, First Place: "Memorial Feature"
WKEF—Media Award 98 Best Television, Major Market—Laurie Penco
WUHF—Media Award from Monroe County Special Olympics

Radio

WBEN—Ten Local 1998 Associated Press Awards, including "Best Regularly Scheduled News Program"
WWL-AM—Ten Local 1998 Associated Press Awards, including "Best Newscast"
WWL-AM—Five Local 1998 Press Club Awards, including "Best Newscast"

Community Service Awards


Television

KABB—Outstanding Service Award, March of Dimes Birth Defects Foundation
KBSI—Star Partner Award, Westfield Works Wonders Event
KDNL—Lifetime Achievement Award/Partnership for a Drug-Free America
KDSM—KDSM Fox 17 Family Fair
KETK—Stewart Blood Center Media Award of Excellence
KOCB—Missing Children's Network Outstanding Media Partner
KOKH—1998 Salvation Army Public Service Award
KOVR—Families First Foster Santa Program Sponsor
WCGV—Milwaukee Advertising Club "Addy" Award, Public Service
WEAR—Northwest Florida Blood Center Outstanding Support Award
WMSN—"Outstanding Media Award"/Easter Seals of Wisconsin
WPGH—Special Recognition/Partnership for a Drug-Free America
WSYX—Christmas in April Volunteer of the Year Award
WTTE—American Red Cross Good Neighbor Award
WUHF—"Forty Under Forty" Service Award
WUTV—Partnership for a Drug-Free America Award
WXLV—American Cancer Society "Excalibur" Award
WSYT—C.N.Y. AIDS Community Resources 6th Annual Walk/Run

Radio


98.5 KRZ—Award of Appreciation, Multiple Sclerosis
FROGGY 101—St. Jude's Children's Hospital Certificate of Outstanding Service
KHITS—Children's Miracle Network Champions Broadcast
KPNT-FM—Make-A-Wish Foundation/Urge Hockey Game
KQRC—Special Recognition/Kansas City Star—"Entombed in Concrete" event for Project Warmth
The WILK Network—St. Francis of Assisi Kitchen Certificate of Appreciation
WBEN—American Red Cross "The Great American Blood Drive"
WEAL-AM—Gospel Announcer of the Year—Joseph Level
WFBC-FM—Susan G. Komen Foundation Certificate of Appreciation
WFBC-FM—"Best Radio Station," The Greenville News
WJMH-FM—Toys for Tots
WKSE Kiss 98.5—Children's Hospital of Buffalo Foundation Award
WKSE Kiss 98.5—Cystic Fibrosis Foundation Award
WMJQ-FM—Sponsor, Leukemia Society's 9th Annual Gelatin Splash
WMQX-FM—American Red Cross Outstanding Achievement Award
WMYX—Media Appreciation Award for Outstanding Service, Briggs & Stratton Run for Children's Hospital
WORD-AM—Associated Press Mark Twain Award
WSMB-AM—"The President's Award," Victims & Citizens Against Crime, presented to Andre Trevigne, 1998
WSPA-FM—Make-A-Wish Certificate of Appreciation
WSPA-FM—Founders Award, Spartanburg Memorial Auditorium
WVRV-FM—Toys for Tots Campaign
Z104—CHKD Requestathon Award of Recognition

Promotion

KMWB—Emmy for Outstanding Program Promotion/National Academy of Television Arts and Sciences

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Financial Section...

The selected consolidated financial data for the years ended December 31, 1994, 1995, 1996, 1997 and 1998 have been derived from the Company's audited Consolidated Financial Statements. The Consolidated Financial Statements for the years ended December 31, 1996, 1997 and 1998 are included elsewhere in this Annual Report.

The information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements included elsewhere in this Annual Report.

STATEMENT OF OPERATIONS DATA
(dollars in thousands, except per share data)

	Years Ended December 31,				
	1994	1995	1996	1997	**1998**
Net broadcast revenues (a)	$ 118,611	$ 187,934	$ 346,459	$ 471,228	**$ 672,806**
Barter revenues	10,743	18,200	32,029	45,207	**63,998**
Total revenues	129,354	206,134	378,488	516,435	**736,804**
Operating costs (b)	41,338	64,326	142,576	198,262	**287,141**
Expenses from barter arrangements	9,207	16,120	25,189	38,114	**54,067**
Depreciation and amortization (c)	55,587	80,410	121,081	152,170	**199,928**
Stock-based compensation	—	—	739	1,636	**3,282**
Special bonuses paid to executive officers	3,638	—	—	—	**—**
Broadcast operating income	19,584	45,278	88,903	126,253	**192,386**
Interest expense	(25,418)	(39,253)	(84,314)	(98,393)	**(138,952)**
Subsidiary trust minority interest expense (d)	—	—	—	(18,600)	**(23,250)**
Gain on sale of broadcast assets	—	—	—	—	**12,001**
Unrealized loss on derivative instrument	—	—	—	—	**(9,050)**
Interest and other income	2,447	4,163	3,478	2,228	**6,706**
Income (loss) before (provision) benefit for income taxes and extraordinary items	$ (3,387)	$ 10,188	$ 8,067	$ 11,488	**$ 39,841**
Net income (loss)	$ (2,740)	$ 76	$ 1,131	$ (10,566)	**$ (16,880)**
Net income (loss) available to common shareholders	$ (2,740)	$ 76	$ 1,131	$ (13,329)	**$ (27,230)**
OTHER DATA:					
Broadcast cash flow (e)	$ 67,519	$ 111,124	$ 189,216	$ 243,406	**$ 350,122**
Broadcast cash flow margin (f)	56.9%	59.1%	54.6%	51.7%	**52.0%**
Adjusted EBITDA (g)	$ 64,547	$ 105,750	$ 180,272	$ 229,000	**$ 331,329**
Adjusted EBITDA margin (f)	54.4%	56.3%	52.0%	48.6%	**49.2%**
After tax cash flow (h)	$ 24,948	$ 54,645	$ 77,484	$ 104,884	**$ 149,759**
Program contract payments	14,262	19,938	30,451	51,059	**64,267**
Corporate overhead expense	2,972	5,374	8,944	14,406	**18,793**
Capital expenditures	2,352	1,702	12,609	19,425	**19,426**
Cash flows from operating activities	20,781	55,986	69,298	96,625	**150,480**
Cash flows from investing activities	(249,781)	(119,320)	(1,019,853)	(218,990)	**(1,812,682)**
Cash flows from financing activities	213,410	173,338	840,446	259,351	**1,526,143**
PER SHARE DATA:					
Basic net income (loss) per share before extraordinary items	$ (.05)	$ .08	$ .02	$ (.10)	**$ (.17)**
Basic net income (loss) per share after extraordinary items	$ (.05)	$ —	$ .02	$ (.19)	**$ (.29)**
Diluted net income (loss) per share before extraordinary items	$ (.05)	$ .08	$ .02	$ (.10)	**$ (.17)**
Diluted net income (loss) per share after extraordinary items	$ (.05)	$ —	$ .02	$ (.19)	**$ (.29)**
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 2,446	$ 112,450	$ 2,341	$ 139,327	**$ 3,268**
Total assets	399,328	605,272	1,707,297	2,034,234	**3,854,582**
Total debt (i)	346,270	418,171	1,288,103	1,080,722	**2,327,221**
HYTOPS (j)	—	—	—	200,000	**200,000**
Total stockholders' equity (deficit)	(13,723)	96,374	237,253	543,288	**816,043**

a) “Net broadcast revenues” are defined as broadcast revenues net of agency commissions.

b) Operating costs include program and production expenses and selling, general and administrative expenses.

c) Depreciation and amortization includes amortization of program contract costs and net realizable value adjustments, depreciation and amortization of property and equipment, and amortization of acquired intangible broadcasting assets and other assets including amortization of deferred financing costs and costs related to excess syndicated programming.

d) Subsidiary trust minority interest expense represents the distributions on the HYTOPS (see footnote j).

e) “Broadcast cash flow” is defined as broadcast operating income plus corporate expenses, special bonuses paid to executive officers, stock-based compensation, depreciation and amortization (including film amortization and amortization of deferred compensation), less cash payments for program rights. Cash program payments represent cash payments made for current programs payable and do not necessarily correspond to program usage. The Company has presented broadcast cash flow data, which the Company believes is comparable to the data provided by other companies in the industry, because such data are commonly used as a measure of performance for broadcast companies; however, there can be no assurance that it is comparable. However, broadcast cash flow does not purport to represent cash provided by operating activities as reflected in the Company’s consolidated statements of cash flows, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of broadcast cash flow (BCF) is relevant and useful because 1) BCF is a measurement utilized by lenders to measure the Company’s ability to service its debt, 2) BCF is a measurement utilized by industry analysts to determine a private market value of the Company’s television and radio stations and 3) BCF is a measurement industry analysts utilize when determining the operating performance of the Company.

f) “BCF cash flow margin” is defined as broadcast cash flow divided by net broadcast revenues. “Adjust EBITDA margin” is defined as Adjusted EBITDA divided by net broadcast revenues.

g) “Adjusted EBITDA” is defined as broadcast cash flow less corporate expenses and is a commonly used measure of performance for broadcast companies. The Company has presented Adjusted EBITDA data, which the Company believes is comparable to the data provided by other companies in the industry, because such data are commonly used as a measure of performance for broadcast companies; however, there can be no assurances that it is comparable. Adjusted EBITDA does not purport to represent cash provided by operating activities as reflected in the Company’s consolidated statements of cash flows, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of Adjusted EBITDA is relevant and useful because 1) Adjusted EBITDA is a measurement utilized by lenders to measure the Company’s ability to service its debt, 2) Adjusted EBITDA is a measurement utilized by industry analysts to determine a private market value of the Company’s television and radio stations and 3) Adjusted EBITDA is a measurement industry analysts utilize when determining the operating performance of the Company.

h) “After tax cash flow” is defined as net income (loss) available to common shareholders, plus extraordinary items (before the effect of related tax benefits) plus depreciation and amortization (excluding film amortization), stock-based compensation, unrealized loss on derivative instrument, the deferred tax provision (or minus the deferred tax benefit) and minus the gain on sale of assets. The Company has presented after tax cash flow data, which the Company believes is comparable to the data provided by other companies in the industry, because such data are commonly used as a measure of performance for broadcast companies; however, there can be no assurances that it is comparable. After tax cash flow is presented here not as a measure of operating results and does not purport to represent cash provided by operating activities. After tax cash flow should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Management believes the presentation of after tax cash flow (ATCF) is relevant and useful because ATCF is a measurement utilized by industry analysts to determine a public market value of the Company’s television and radio stations and ATCF is a measurement analysts utilize when determining the operating performance of the Company.

i) “Total debt” is defined as long-term debt, net of unamortized discount, and capital lease obligations, including current portion thereof. Total debt does not include the HYTOPS or the Company’s preferred stock.

j) HYTOPS represents Company Obligated Mandatorily Redeemable Security of Subsidiary Trust Holding Solely KDSM Senior Debentures representing $200,000 aggregate liquidation value.

INTRODUCTION

As of December 31, 1998, the Company owned, operated, or programmed 56 television stations in 36 geographically diverse markets and 51 radio stations in 10 geographically diverse markets in the United States. As of the date hereof, the Company owns, or provides programming services pursuant to LMAs to, 57 television stations, has pending acquisitions of four television stations and has entered into an agreement to sell two television stations. The Company owns, or programs pursuant to LMAs to, 56 radio stations, two of which the Company has options to acquire and five of which the Company holds for sale.

The operating revenues of the Company are derived from local and national advertisers and, to a much lesser extent, from political advertisers and television network compensation. The Company's revenues from local advertisers have continued to trend upward and revenues from national advertisers have continued to trend downward when measured as a percentage of total broadcast revenue. The Company believes this trend is primarily resulting from an increase in the number of media outlets providing national advertisers a means by which to advertise their goods and services. The Company's efforts to mitigate this trend include continuing its efforts to increase local revenues and the development of innovative marketing strategies to sell traditional and non-traditional services to national advertisers.

The Company's primary operating expenses involved in owning, operating or programming the television and radio stations are syndicated program rights fees, commissions on revenues, employee salaries, and news-gathering and station promotional costs. Amortization and depreciation of costs associated with the acquisition of the stations and interest carrying charges are significant factors in determining the Company's overall profitability.

Set forth below are the principal types of broadcast revenues received by the Company's stations for the periods indicated and the percentage contribution of each type to the Company's total gross broadcast revenues:

BROADCAST REVENUES
(dollars in thousands)

	Years ended December 31,					
	1996		1997		**1998**	
Local/regional advertising	$ 199,029	49.4%	$287,860	52.7%	**$ 418,100**	**53.8%**
National advertising	191,449	47.6%	250,445	45.9%	**316,547**	**40.7%**
Network compensation	3,907	1.0%	5,479	1.0%	**18,536**	**2.5%**
Political advertising	6,972	1.7%	1,189	0.2%	**21,279**	**2.7%**
Production	1,142	0.3%	1,239	0.2%	**2,617**	**0.3%**
Broadcast revenues	402,499	100.0%	546,212	100.0%	**777,079**	**100.0%**
Less: agency commissions	(56,040)		(74,984)		**(104,273)**	
Broadcast revenues, net	346,459		471,228		**672,806**	
Barter revenues	32,029		45,207		**63,998**	
Total revenues	$ 378,488		$516,435		**$ 736,804**	

The Company's primary types of programming and their approximate percentages of 1998 net broadcast revenues were syndicated programming (64.0%), network programming (23.2%), direct advertising programming (5.2%), sports programming (4.0%) and children's programming (3.6%). Similarly, the Company's four largest categories of advertising and their approximate percentages of 1998 net broadcast revenues were automotive (20.0%), fast food advertising (7.3%), retail/department stores (6.6%) and professional services (5.9%). No other advertising category accounted for more than 5% of the Company's net broadcast revenues in 1998. No individual advertiser accounted for more than 2% of the Company's consolidated net broadcast revenues in 1998.

The following table sets forth certain operating data of the Company for the years ended December 31, 1996, 1997 and 1998. For definitions of items, see footnotes on page 17 of this document.

OPERATING DATA
(dollars in thousands)

	Years ended December 31,		
	1996	1997	**1998**
Net broadcast revenues	$ 346,459	$ 471,228	**$ 672,806**
Barter revenues	32,029	45,207	**63,998**
Total revenues	378,488	516,435	**736,804**
Operating costs	142,576	198,262	**287,141**
Expenses from barter arrangements	25,189	38,114	**54,067**
Depreciation and amortization	121,081	152,170	**199,928**
Stock-based compensation	739	1,636	**3,282**
Broadcast operating income	$ 88,903	$ 126,253	**$ 192,386**
Net income (loss)	$ 1,131	$ (10,566)	**$ (16,880)**
Net income (loss) available to common shareholders	$ 1,131	$ (13,329)	**$ (27,230)**
BROADCAST CASH FLOW (BCF) DATA:			
Television BCF	$ 175,212	$ 221,631	**$ 305,305**
Radio BCF	14,004	21,775	**44,817**
Consolidated BCF	$ 189,216	$ 243,406	**$ 350,122**
Television BCF margin	56.7%	54.4%	**54.1%**
Radio BCF margin	37.3%	34.1%	**41.5%**
Consolidated BCF margin	54.6%	51.7%	**52.0%**
OTHER DATA:			
Adjusted EBITDA	$ 180,272	$ 229,000	**$ 331,329**
Adjusted EBITDA margin	52.0%	48.6%	**49.2%**
After tax cash flow	$ 77,484	$ 104,884	**$ 149,759**
Program contract payments	30,451	51,059	**64,267**
Corporate expense	8,944	14,406	**18,793**
Capital expenditures	12,609	19,425	**19,426**
Cash flows from operating activities	69,298	96,625	**150,480**
Cash flows from investing activities	(1,019,853)	(218,990)	**(1,812,682)**
Cash flows from financing activities	840,446	259,351	**1,526,143**

RESULTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1998 AND 1997

Net broadcast revenue increased $201.6 million to $672.8 million for the year ended December 31, 1998 from $471.2 million for the year ended December 31, 1997, or 42.8%. The increase in net broadcast revenue for the year ended December 31, 1998 as compared to the year ended December 31, 1997 comprised $194.3 million related to businesses acquired or disposed of by the Company in 1998 (the "1998 Transactions") and $7.3 million resulted from an increase in net broadcast revenues on a same station basis, representing a 1.5% increase over prior year's net broadcast revenue for these stations. On a same station basis, revenues were negatively impacted by a decrease in revenues in the Baltimore, Milwaukee, Norfolk and Raleigh markets. The Company's television stations in these markets experienced a decrease in ratings which resulted in a loss in revenues and market revenue share. In the Raleigh and Norfolk television markets, the Company's affiliation agreements with Fox expired on August 31, 1998 which further contributed to a decrease in ratings and revenues. In the Baltimore market, the addition of a new UPN affiliate competitor contributed to a loss in ratings and market revenue share. An additional factor which negatively impacted station revenues for the year was the loss of General Motors advertising revenues caused by a strike of its employees. These decreases in revenue on a same station basis were offset by revenue growth at certain of the Company's other television and radio stations combined with an increase in network compensation revenue and political advertising revenue.

Total operating costs increased $88.8 million to $287.1 million for the year ended December 31, 1998 from $198.3 million for the year ended December 31, 1997, or 44.8%. The increase in operating costs for the year ended December 31, 1998 as compared to the year ended December 31, 1997 comprised $81.3 million related to the 1998 Transactions, $4.4 million related to an increase in corporate overhead expenses, and $3.1 million related to an increase in operating costs on a same station basis, representing a 1.8% increase over prior year's operating costs for those stations. The increase in corporate overhead expenses for the year ended December 31, 1998 primarily resulted from an increase in legal fees and an increase in salary costs incurred to manage a larger base of operations.

Depreciation and amortization increased $47.7 million to $199.9 million for the year ended December 31, 1998 from $152.2 million for the year ended December 31, 1997. The increase in depreciation and amortization related to fixed asset and intangible asset additions associated with businesses acquired during 1997 and 1998.

Broadcast operating income increased $66.1 million to $192.4 million for the year ended December 31, 1998, from $126.3 million for the year ended December 31, 1997, or 52.3%. The net increase in broadcast operating income for the year ended December 31, 1998 as compared to the year ended December 31, 1997 was primarily attributable to the 1998 Transactions.

Interest expense increased $40.6 million to $139.0 million for the year ended December 31, 1998 from $98.4 million for the year ended December 31, 1997, or 41.3%. The increase in interest expense for the year ended December 31, 1998 primarily related to indebtedness incurred by the Company to finance the Acquisitions. Subsidiary trust minority interest expense of $23.3 million for the year ended December 31, 1998 is related to the private placement of the $200 million aggregate liquidation value 11 5/8% High Yield Trust Offered Preferred Securities (the "HYTOPS") completed March 12, 1997. The increase in subsidiary trust minority interest expense for the year ended December 31, 1998 as compared to the year ended December 31, 1997 related to the HYTOPS being outstanding for a partial period during 1997.

Interest and other income increased to $6.7 million for the year ended December 31, 1998 from $2.2 million for the year ended December 31, 1997. This increase was primarily due to higher average cash balances during these periods. However, cash balances were lower at December 31, 1998 than at December 31, 1997.

Net loss for the year ended December 31, 1998 was $16.9 million or $.29 per share compared to net loss of $10.6 million or $.19 per share for the year ended December 31, 1997. Net loss increased for the year ended December 31, 1998 as compared to the year ended December 31, 1997 due to an increase in operating expenses, depreciation and amortization, interest expense, subsidiary trust minority interest expense, the recognition of an unrealized loss of $9.1 million on a derivative instrument and the recognition of an extraordinary loss offset by an increase in total revenues, a gain on the sale of broadcast assets and an increase in interest and other income. The Company's extraordinary loss of $11.1 million net of a related tax benefit of $7.4 million resulted from the write-off of debt acquisition costs associated with indebtedness replaced by the 1998 Bank Credit Agreement.

As noted above, the Company's net loss for the year ended December 31, 1998 included recognition of a loss of $9.1 million on a treasury option derivative instrument. Upon execution of the treasury option derivative instrument, the Company received a cash payment of $9.5 million. The treasury option derivative instrument will require the Company to make five annual payments equal to the difference between 6.14% minus the interest rate yield on five-year treasury securities on September 30, 2000 times the $300 million notional amount of the instrument. If the yield on five-year treasuries is equal to or greater than 6.14% on September 30, 2000, the Company will not be required to make any payment under the terms of this instrument. If the rate is below 6.14% on that date, the Company will be required to make payments, as described above, and the size of the payment will increase as the rate goes down. Each year, the Company recognizes an expense equal to the change in the projected liability under this arrangement based on interest rates at the end of the year. The loss recognized in the year ended December 31, 1998 reflects an adjustment of the Company's liability under this instrument to the present value of future payments based on the two-year forward five-year treasury rate as of December 31, 1998. If the yield on five-year treasuries at September 30, 2000 were to equal the two-year forward five-year treasury rate on December 31, 1998 (4.6%), Sinclair would be required to make five annual payments of approximately $4.6 million each. If the yield on five-year treasuries declines further in periods before September 30, 2000, Sinclair will be required to recognize further losses. In any event, Sinclair will not be required to make any payments until September 30, 2000.

Broadcast Cash Flow increased $106.7 million to $350.1 million for the year ended December 31, 1998 from $243.4 million for the year ended December 31, 1997, or 43.8%. The increase in Broadcast Cash Flow related to the 1998 Transactions and Broadcast Cash Flow on a same station basis remained relatively unchanged for the periods. The Company's Broadcast Cash Flow Margin increased to 52.0% for the year ended December 31, 1998 from 51.7% for the year ended December 31, 1997. The increase in Broadcast Cash Flow Margin for the year ended December 31, 1998 as compared to the year ended December 31, 1997 primarily resulted from a lag in program contract payments for certain of the television broadcasting assets acquired during 1998 of approximately $4.3 million and an increase in radio broadcast cash flow margins. On a same station basis, Broadcast Cash Flow Margin decreased from 51.8% for the year ended December 31, 1997 to 50.9% for the year ended December 31, 1998. This decrease in Broadcast Cash Flow Margin primarily resulted from an increase in film payments combined with a disproportionate increase in net broadcast revenue.

Adjusted EBITDA represents broadcast cash flow less corporate expenses. Adjusted EBITDA increased $102.3 million to $331.3 million for the year ended December 31, 1998 from $229.0 million for the year ended December 31, 1997, or 44.7%. The increase in Adjusted EBITDA for the year ended December 31, 1998 as compared to the year ended December 31, 1997 resulted from the 1998 Transactions offset by a $4.4 million increase in corporate overhead expenses, as described above. The Company's Adjusted EBITDA Margin increased to 49.2% for the year ended December 31, 1998 from 48.6% for the year ended December 31, 1997. This increase in Adjusted EBITDA Margin resulted primarily from the circumstances affecting Broadcast Cash Flow Margins as noted above offset by an increase in corporate expenses.

After Tax Cash Flow increased $44.9 million to $149.8 million for the year ended December 31, 1998 from $104.9 million for the year ended December 31, 1997, or 42.8%. The increase in After Tax Cash Flow for the year ended December 31, 1998 as compared to the year ended December 31, 1997 primarily resulted from a net increase in broadcast operating income relating to the 1998 Transactions offset by an increase in interest expense and subsidiary trust minority interest expense relating to the HYTOPS.

YEARS ENDED DECEMBER 31, 1997 AND 1996

Net broadcast revenue increased $124.7 million to $471.2 million for the year ended December 31, 1997 from $346.5 million for the year ended December 31, 1996 or 36.0%. The increase in net broadcast revenue for the year ended December 31, 1997 as compared to the year ended December 31, 1996 comprised $114.5 million related to television and radio station acquisitions and LMA transactions consummated during 1996 and 1997 (the "1996 and 1997 Acquisitions") and $10.2 million resulted from an increase in net broadcast revenues on a same station basis. Also on a same station basis, revenues from local and national advertisers grew 7.7% and 4.9%, respectively, for a combined growth rate of 6.1%.

Total operating costs increased $55.7 million to $198.3 million for the year ended December 31, 1997 from $142.6 million for the year ended December 31, 1996 or 39.1%. The increase in operating costs for the year ended December 31, 1997 as compared to the year ended December 31, 1996 comprised $49.0 million related to the 1996 and 1997 Acquisitions, $5.4 million resulted from an increase in corporate overhead expenses, and $1.3 million resulted from an increase in operating costs on a same station basis. Also on a same station basis, operating costs increased 1.8%.

Depreciation and amortization increased $31.1 million to $152.2 million for the year ended December 31, 1997 from $121.1 million for the year ended December 31, 1996. The increase in depreciation and amortization related to fixed asset and intangible asset additions associated with businesses acquired during 1996 and 1997.

Broadcast operating income increased to $126.3 million for the year ended December 31, 1997, from $88.9 million for the year ended December 31, 1996, or 42.1%. The increase in broadcast operating income for the year ended December 31, 1997 as compared to the year ended December 31, 1996 was primarily attributable to the 1996 and 1997 Acquisitions.

Interest expense increased to $98.4 million for the year ended December 31, 1997 from $84.3 million for the year ended December 31, 1996, or 16.7%. The increase in interest expense for the year ended December 31, 1997 primarily related to indebtedness incurred by the Company to finance the 1996 and 1997 Acquisitions. Subsidiary trust minority interest expense of $18.6 million for the year ended December 31, 1997 is related to the HYTOPS offering completed March 12, 1997. Subsidiary trust minority interest expense was partially offset by reductions in interest expense because a portion of the proceeds of the sale of the HYTOPS was used to reduce indebtedness under the Company's 1997 Bank Credit Agreement.

Interest and other income decreased to $2.2 million for the year ended December 31, 1997 from $3.5 million for the year ended December 31, 1996. This decrease was primarily due to lower average cash balances during these periods.

Net loss for the year ended December 31, 1997 was $10.6 million or $.19 per share compared to net income of $1.1 million or $.02 per share for the year ended December 31, 1996. Net loss increased for the year ended December 31, 1997 as compared to the year ended December 31, 1996 due to an increase in operating expenses, depreciation and amortization, interest expense, subsidiary trust minority interest expense not incurred in 1996 and recognition of an extraordinary loss offset by an increase in total broadcast revenue. The Company's extraordinary loss of $6.1 million net of a related tax benefit of $4.0 million resulted from the write-off of debt acquisition costs resulting from the redemption of substantially all of the 1993 Notes.

Broadcast Cash Flow increased $54.2 million to $243.4 million for the year ended December 31, 1997 from $189.2 million for the year ended December 31, 1996, or 28.6%. The increase in Broadcast Cash Flow comprised $45.0 million relating to the 1996 and 1997 Acquisitions and $9.2 million resulted from Broadcast Cash Flow growth on a same station basis, which had Broadcast Cash Flow growth of 8.2%. The Company's Broadcast Cash Flow Margin decreased to 51.7% for the year ended December 31, 1997 from 54.6% for the year ended December 31, 1996. The decrease in Broadcast Cash Flow Margin for the year ended December 31, 1997 as compared to the year ended December 31, 1996 primarily resulted from the lower margins related to the 1996 Acquisitions. In addition, 1996 Broadcast Cash Flow Margin benefited from a non-recurring $4.7 million timing lag of program contract payments relating to the River City Acquisition and certain other acquisitions. On a same station basis, Broadcast Cash Flow Margin improved from 57.3% for the year ended December 31, 1996 to 58.9% for the year ended December 31, 1997.

Adjusted EBITDA represents broadcast cash flow less corporate expenses. Adjusted EBITDA increased to $229.0 million for the year ended December 31, 1997 from $180.3 million for the year ended December 31, 1996, or 27.0%. These increases in Adjusted EBITDA for the year ended December 31, 1997 as compared to the year ended December 31, 1996 resulted from the 1996 and 1997 Acquisitions and to a lesser extent, increases in net broadcast revenues on a same station basis. The Company's Adjusted EBITDA margin decreased to 48.6% for the year ended December 31, 1997 from 52.0% for the year ended December 31, 1996. This decrease in Adjusted EBITDA margin resulted primarily from the circumstances affecting Broadcast Cash Flow Margins as noted above combined with an increase in corporate expenses. Corporate overhead expenses increased to $14.4 million for the year ended December 31, 1997 from $8.9 million for the year ended December 31, 1996, or 61.8%. These increases in corporate expenses primarily result from costs associated with managing a larger base of operations. During 1996, the Company increased the size of its corporate staff as a result of the addition of a radio business segment and a significant increase in the number of television stations owned, operated or programmed. The costs associated with this increase in staff were only incurred during a partial period of the year ended December 31, 1996.

After Tax Cash Flow increased to $104.9 million for the year ended December 31, 1997 from $77.5 million for the year ended December 31, 1996, or 35.4%. The increase in After Tax Cash Flow for the year ended December 31, 1997 as compared to the year ended December 31, 1996 primarily resulted from the 1996 and 1997 Acquisitions, an increase in revenues on a same station basis, a Federal income tax receivable of $10.6 million resulting from 1997 NOL carry-backs, offset by interest expense on the debt incurred to consummate the 1996 and 1997 Acquisitions and subsidiary trust minority interest expense related to the private placement of the HYTOPS issued during March 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are cash provided by operations and availability under the 1998 Bank Credit Agreement. As of December 31, 1998, the Company had $3.3 million in cash balances and net working capital of approximately $55.8 million. The Company's net decrease in cash to $3.3 million at December 31, 1998 from $139.3 million at December 31, 1997 primarily resulted from the 1998 Transactions. As of December 31, 1998, the remaining balance available under the Revolving Credit Facility was $197.0 million. Based on pro forma trailing cash flow levels for the twelve months ended December 31, 1998, the Company had approximately $75.2 million available of current borrowing capacity under the Revolving Credit Facility. The 1998 Bank Credit Agreement also provides for an incremental term loan commitment in the amount of up to $400 million which can be utilized upon approval by the Agent bank and the raising of sufficient commitments from banks to fund the additional loans.

The Company has current acquisition commitments of approximately $122.0 million net of proceeds totaling $242.0 million anticipated from the sale of television stations related to the Ackerley Disposition, the 1999 STC Disposition and the CCA Disposition (collectively, the “Pending Transactions”). In order to complete the Pending Transactions during the second quarter of 1999 and also remain in compliance with certain of its debt covenants, the Company estimates that it would be required to generate proceeds from station dispositions of approximately $30 million or alternatively raise proceeds from common or preferred stock securities issuances of approximately $15 million. The Company announced in the fourth quarter of 1998 that it intended to enter into agreements to sell selected television and radio stations not central to its business strategy. As of March 22, 1999, the Company has entered into agreements to sell stations for aggregate consideration of approximately $140 million and was actively planning to sell an additional $35 million in properties. The Company intends to evaluate whether further divestitures are appropriate after completing these sales. The Company’s other primary sources of liquidity are cash provided by operations and availability under the 1998 Bank Credit Agreement.

The Company anticipates that funds from operations, existing cash balances, the availability of the Revolving Credit Facility under the 1998 Bank Credit Agreement and the proceeds from the sale of certain stations will be sufficient to meet its working capital, capital expenditure commitments, debt service requirements and current acquisition commitments.

Net cash flows from operating activities increased to $150.5 million for the year ended December 31, 1998 from $96.6 million for the year ended December 31, 1997. The Company made income tax payments of $3.6 million for the year ended December 31, 1998 as compared to $6.5 million for the year ended December 31, 1997. The Company made interest payments on outstanding indebtedness and payments for subsidiary minority interest expense totaling $140.9 million during the year ended December 31, 1998 as compared to $116.2 million for the year ended December 31, 1997. Additional interest payments for the year ended December 31, 1998 as compared to the year ended December 31, 1997 primarily related to additional interest costs on indebtedness incurred to finance businesses acquired during 1998. Program rights payments increased to $64.3 million for the year ended December 31, 1998 from $51.1 million for the year ended December 31, 1997. This increase in program rights payments comprised $8.8 million related to the 1998 Transactions and $4.4 million related to an increase in programming costs on a same station basis, which increased 8.7%.

Net cash flows used in investing activities increased to $1.8 billion for the year ended December 31, 1998 from $219.0 million for the year ended December 31, 1997. For the year ended December 31, 1998, the Company made cash payments of approximately $2.1 billion related to the acquisition of television and radio broadcast assets primarily by utilizing available indebtedness under the 1998 Bank Credit Agreement. These payments included $232.9 million related to the WSYX Acquisition, $53.0 million related to the Lakeland Acquisition, $571.3 million related to the Heritage Acquisition, $951.0 million related to the Sullivan Acquisition, $239.4 million related to the Max Media Acquisition and $10.4 million related to other acquisitions. For the year ended December 31, 1998, the Company received approximately $273.3 million of cash proceeds related to the sale of certain television and radio broadcast assets which was primarily utilized to repay indebtedness under the 1998 Bank Credit Agreement. These cash proceeds included $126.9 million related to the Entercom Disposition, $72.0 million related to the STC Disposition, $35.0 million related to the SFX Disposition, $21.0 million related to the Radio Unica Disposition, $16.1 million related to the Centennial Disposition and $2.3 million related to the sale of other broadcast assets. For the year ended December 31, 1998, the Company made cash payments related to the Buffalo Acquisition of $3.3 million and made cash payments of $6.9 million for deposits and other costs related to other future acquisitions. During 1998, the Company made equity investments in Acrodyne Communications, Inc. and USA Digital Radio, Inc. of approximately $7.1 million and $1.5 million, respectively. The Company made payments for property and equipment of $19.4 million for the year ended December 31, 1998. The Company expects that expenditures for property and equipment will increase for the year ended December 31, 1999 as a result of a larger number of stations owned by the Company. In addition, the Company anticipates that future requirements for capital expenditures will include capital expenditures incurred during the ordinary course of business and additional strategic station acquisitions and equity investments if suitable investments can be identified on acceptable terms.

Net cash flows provided by financing activities increased to $1.5 billion for the year ended December 31, 1998 from $259.4 million for the year ended December 31, 1997. In April 1998, the Company and certain Series B Preferred stockholders of the Company completed a public offering of 12,000,000 and 4,060,374 shares, respectively of Class A Common Stock. The shares were sold for an offering price of $29.125 per share and generated proceeds to the Company of $335.1 million, net of underwriters’ discount and other offering costs of approximately $14.4 million. The Company utilized proceeds to repay indebtedness under the 1997 Bank Credit Agreement. In May 1998, the Company entered into the 1998 Bank Credit Agreement in order to expand its borrowing capacity for future acquisitions and obtain more favorable terms with its banks. A portion of the proceeds of the initial borrowing under the 1998 Bank Credit Agreement was used to repay all outstanding indebtedness related to the 1997 Bank Credit Agreement. In addition, during September 1998, the Company repurchased 1,505,000 shares of its Class A Common Stock for an aggregate purchase price of $26.7 million, an average share price of $17.72. For the year ended December 31, 1998, the Company also made option premium payments of $14.0 million related to equity put and call options entered into during 1998.

INCOME TAXES

The income tax provision increased to $45.7 million for the year ended December 31, 1998 from a provision of $16.0 million for the year ended December 31, 1997. The Company's effective tax rate decreased to 114.6% for the year ended December 31, 1998 from 139.1% for the year ended December 31, 1997. The decrease in the Company's effective tax rate for the year ended December 31, 1998 as compared to the year ended December 31, 1997 primarily resulted from a decrease in the deferred tax liability associated with dividends paid on the Company's Series C Preferred Stock (see Note 8, sub-note (a) to the Company's Consolidated Financial Statements). Management believes that pre-tax income and "earnings and profits" will increase in future years which will further result in a lower effective tax rate and utilization of certain tax deductions related to dividends paid on the Company's Series C Preferred Stock.

As of December 31, 1998, the Company has a net deferred tax liability of $165.5 million as compared to a net deferred tax liability of $21.5 million as of December 31, 1997. During 1998, the Company acquired the stock of Sullivan Broadcast Holdings, Inc. (Sullivan), Lakeland Group Television, Inc. (Lakeland) and the direct and indirect interests of Max Media Properties LLC (Max Media). The Company recorded net deferred tax liabilities resulting from these purchases of approximately $114.0 million. These net deferred tax liabilities primarily relate to the permanent differences between financial reporting carrying amounts and tax basis amounts measured upon the purchase date.

The income tax provision increased to $16.0 million for the year ended December 31, 1997 from a provision of $6.9 million for the year ended December 31, 1996. The Company's effective tax rate increased to 139.1% for the year ended December 31, 1997 from 86.0% for the year ended December 31, 1996. The increase in the Company's effective tax rate for the year ended December 31, 1997 as compared to the year ended December 31, 1996 primarily resulted from non-deductible goodwill amortization resulting from certain 1995 and 1996 stock acquisitions, a tax liability related to the dividends paid on the Company's Series C Preferred Stock (see Note 8, sub-note (a) to the Company's Consolidated Financial Statements), and state franchise taxes which are not based upon pre-tax income. During the year ended December 31, 1997, the Company carried back certain Federal NOL's to be applied against prior years Federal taxes paid. These Federal NOL carry-backs resulted in a Federal income tax refund of $9.3 million during 1998.

SEASONALITY

The Company's results usually are subject to seasonal fluctuations, which result in fourth quarter broadcast operating income being greater usually than first, second and third quarter broadcast operating income. This seasonality is primarily attributable to increased expenditures by advertisers in anticipation of holiday season spending and an increase in viewership during this period. In addition, revenues from political advertising tend to be higher in even numbered years.

YEAR 2000

The Company has commenced a process to assure Year 2000 compliance of all hardware, software, broadcast equipment and ancillary equipment that are date dependent. The process involves four phases:

Phase I—Inventory and Data Collection. This phase involves an identification of all items that are date dependent. Sinclair commenced this phase in the third quarter of 1998, and Management estimates it has completed approximately 50% of this phase as of the date hereof. The Company expects to complete this phase by the end of the second quarter of 1999.

Phase II—Compliance Requests. This phase involves requests to information technology systems vendors for verification that the systems identified in Phase I are Year 2000 compliant. Sinclair will identify and begin to replace items that cannot be updated or certified as compliant. Sinclair has completed the compliance request phase of its plan as of the date hereof. In addition, Sinclair has verified that its accounting, traffic, payroll, and local and wide area network hardware and software systems are compliant. In addition, Sinclair is currently in the process of ascertaining that all of its personal computers and PC applications are compliant. Sinclair is currently reviewing its news-room systems, building control systems, security systems and other miscellaneous systems. The Company expects to complete this phase by the end of the second quarter of 1999.

Phase III—Test, Fix and Verify. This phase involves testing all items that are date dependent and upgrading all non-compliant devices. Sinclair expects to complete this phase during the first, second and third quarters of 1999.

Phase IV—Final Testing, New Item Compliance. This phase involves review of all inventories for compliance and retesting as necessary. During this phase, all new equipment will be tested for compliance. Sinclair expects to complete this phase by the end of the third quarter of 1999.

The Company has developed a contingency/emergency plan to address Year 2000 worst case scenarios. The contingency plan includes, but is not limited to, addressing (i) regional power facilities, (ii) interruption of satellite delivered programming, (iii) replacement or repair of equipment not discovered or fixed during the year 2000 compliance process and (iv) local security measures that may become necessary relating to the Company's properties. The contingency plan involves obtaining alternative sources if existing sources of these goods and services are not available. Although the contingency plan is designed to reduce the impact of disruptions from these sources, there is no assurance that the plan will avoid material disruptions in the event one or more of these events occurs.

To date, Sinclair believes that its major systems are Year 2000 compliant. This substantial compliance has been achieved without the need to acquire new hardware, software or systems other than in the ordinary course of replacing such systems. Sinclair is not aware of any non-compliance that would be material to repair or replace or that would have a material effect on Sinclair's business if compliance were not achieved. Sinclair does not believe that non-compliance in any systems that have not yet been reviewed would result in material costs or disruption. Neither is Sinclair aware of any non-compliance by its customers or suppliers that would have a material impact on Sinclair's business. Nevertheless, there can be no assurance that unanticipated non-compliance will not occur, and such non-compliance could require material costs to repair or could cause material disruptions if not repaired.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates. To manage its exposure to changes in interest rates, the Company enters into interest rate derivative hedging agreements.

The Company has entered into an additional derivative instrument to monetize the benefit of a call option on a portion of its outstanding indebtedness at interest rates prevailing at the time the Company entered into the instrument. This derivative instrument (the "Treasury Option Derivative Instrument") exposes the Company to market risk from a further decrease in interest rates, but the Company believes that this risk is offset by the benefit to the Company from reduced interest rate expense on a portion of its floating rate debt and the ability to call some of its indebtedness and replace it with debt at the lower prevailing interest rates.

Finally, the Company has entered put and call option derivative instruments relating to the Company's Class A Common Stock in order to hedge against the possible dilutive effects of employees exercising stock options pursuant to the Company's stock option plans.

The Company does not enter into derivative instruments for speculative trading purposes. With the exception of the Company's Treasury Option Derivative Instrument (described below), the Company does not reflect the changes in fair market value related to derivative instruments in the accompanying financial statements.

Interest Rate Risks

The Company is exposed to market risk from changes in interest rates, which arises from its floating rate debt. As of December 31, 1998, the Company was obligated on $1.6 billion of indebtedness carrying a floating interest rate. The Company enters into interest rate derivative agreements to reduce the impact of changing interest rates on its floating rate debt. The 1998 Bank Credit Agreement, as amended and restated, requires the Company to enter into Interest Rate Protection Agreements at rates not to exceed 10% per annum as to a notional principal amount at least equal to 60% of the Term Loan, Revolving Credit Facility and Senior Subordinated Notes scheduled to be outstanding from time to time.

As of December 31, 1998, the Company had several interest rate swap agreements which expire from July 7, 1999 to July 15, 2007. The swap agreements effectively set fixed rates on the Company's floating rate debt in the range of 5.5% to 8.1%. Floating interest rates are based upon the three month London Interbank Offered Rate (LIBOR), and the measurement and settlement is performed quarterly. Settlements of these agreements are recorded as adjustments to interest expense in the relevant periods. The notional amounts related to these agreements were $1.1 billion at December 31, 1998, and decrease to $200 million through the expiration dates. In addition, the Company entered into floating rate derivatives with notional amounts totaling $200 million. Based on the Company's currently hedged position, $1.7 billion or 73% of the Company's outstanding indebtedness is hedged.

Based on the Company's debt levels and the amount of floating rate debt not hedged as of December 31, 1998, a 1% increase in LIBOR would result in an increase in annualized interest expense of approximately $10.5 million.

Treasury Option Derivative Instrument

In August 1998, the Company entered into a treasury option derivative contract (the "Option Derivative"). The Option Derivative contract provides for 1) an option exercise date of September 30, 2000, 2) a notional amount of $300 million and 3) a five-year treasury strike rate of 6.14%. If the interest rate yield on five-year treasury securities is less than the strike rate on the option exercise date, the Company would be obligated to pay five consecutive annual payments in an amount equal to the strike rate less the five-year treasury rate multiplied by the notional amount beginning September 30, 2001 through September 30, 2006. If the interest rate yield on five-year treasury securities is greater than the strike rate on the option exercise date, the Company would not be obligated to make any payments.

Upon the execution of the Option Derivative contract, the Company received a cash payment representing an option premium of $9.5 million which was recorded in "Other long-term liabilities" in the accompanying balance sheets. The Company is required to periodically adjust its liability to the present value of the future payments of the settlement amounts based on the forward five-year treasury rate at the end of an accounting period. The fair market value adjustment for 1998 resulted in an income statement charge (unrealized loss) of $9.1 million for the year ended December 31, 1998. If the yield on five-year treasuries at September 30, 2000 were to equal the two year forward five-year treasury rate on December 31, 1998 (4.6%), Sinclair would be required to make five annual payments of approximately $4.6 million each. If the yield on five-year treasuries at September 30, 2000 decreased by 1% from the two-year forward five-year rate of December 31, 1998 (i.e., to 3.6%) then Sinclair would be required to make five annual payments of approximately $7.6 million each.

The Company has the ability to call the 1995 Notes on September 15, 2000. The value of this call is determined by new issuance yields for senior subordinated debt at that time. The value of this call rises when yields fall and falls when yields rise. New issuance yields are based on a spread over treasury yields. If the yield on five-year treasuries remains below 6.14% until September 30, 2000, the Company expects to be able to call the 1995 Notes and refinance at the lower prevailing rates, thus offsetting the effect of the payments required under the Treasury Option Derivative. There can be no assurance, however, that the Company would be able to refinance the 1995 Notes at such time at favorable interest rates.

Senior Subordinated Notes

The Company is also exposed to risk from a change in interest rates to the extent it is required to refinance existing fixed rate indebtedness at rates higher than those prevailing at the time the existing indebtedness was incurred. As of December 31, 1998, the Company has Senior Subordinated Notes totaling $1.9 million, $300 million and $450 million expiring in the years 2003, 2005 and 2007, respectively. Based upon the quoted market price, the fair value of the Notes was $781.4 million as of December 31, 1998. Generally, the fair market value of the Notes will decrease as interest rates rise and increase as interest rates fall. The Company estimates that a 1% increase from prevailing interest rates would result in a decrease in fair value of the Notes by approximately $43.6 million as of December 31, 1998.

Equity Put Option Derivatives

The Company is exposed to market risk relating to its equity put option derivative instruments (the "Equity Puts"). The contract terms relating to these instruments provide for settlement on the expiration date. The Equity Puts require the Company to make a settlement payment to the counterparties to these contracts (payable in either cash or shares of the Company's Class A Common stock) in an amount that is approximately equal to the put strike price minus the price of the Company's Class A Common Stock as of the termination date. If the put strike price is less than the price of the Company's Class A Common Stock as of the termination date, the Company would not be obligated to make a settlement payment. In addition, certain of these contracts include terms allowing the put option to become immediately exercisable upon the Company's Class A Common Stock trading at certain levels. The following table summarizes the Company's position relating to the Equity Puts and illustrates the market risk associated with these instruments.

				December 31, 1998	
Equity Put Options Outstanding	Put Strike Price	Termination Date	Trigger Price (a)	Settlement Assuming Termination (b)	Sensitivity-Settlement Assuming Termination (c)
641,200	$13.94	May 31, 1999	—	—	$ 606,703
700,000	16.0625	September 9, 1999	$5.00	$1,137,500	2,148,090
1,100,000 (d)	12.892	January 13, 2000	9.00	(850,190)	(55,990)
2,700,000 (e)	28.931	July 2, 2001	5.00	7,811,370	7,811,370
				$8,098,680	$10,510,173

(a) If the Company's Class A Common Stock reaches a market price equal to "Trigger Price," the equity put options will become immediately exercisable.

(b) This column represents the settlement costs that would be incurred (payable in either cash or shares of the Company's Class A Common Stock) if equity put options were terminated on December 31, 1998 and assuming a market price of $14.4375 (the closing price on March 18, 1999).

(c) This column represents the settlement costs that would be incurred (payable in either cash or shares of the Company's Class A Common Stock) if equity put options were terminated on December 31, 1998 and assuming a market price of $12.9938 (the closing price on March 18, 1999 minus 10%).

(d) The Company has entered into offsetting equity call options related to these equity put options that would provide proceeds to the Company of $850,190 and $55,990, respectively, in scenario (b) and (c) described above.

(e) The settlement of these equity put options is limited to a maximum of $2.8931 per option outstanding, or $7,811,370.

CONSOLIDATED BALANCE SHEETS

(in thousands)

	As of December 31, 1997	As of December 31, 1998
ASSETS		
CURRENT ASSETS:		
Cash	$ 139,327	$ 3,268
Accounts receivable, net of allowance for doubtful accounts of $2,920 and $5,169 respectively	123,018	196,880
Current portion of program contract costs	46,876	60,795
Prepaid expenses and other current assets	4,673	5,542
Deferred barter costs	3,727	5,282
Refundable income taxes	10,581	—
Broadcast assets held for sale	—	33,747
Deferred tax assets	2,550	19,209
Total current assets	330,752	324,723
PROGRAM CONTRACT COSTS, less current portion	40,609	45,608
LOANS TO OFFICERS AND AFFILIATES	11,088	10,041
PROPERTY AND EQUIPMENT, net	161,714	280,391
OTHER ASSETS	168,095	93,404
ACQUIRED INTANGIBLE BROADCASTING ASSETS, net of accumulated amortization of $138,061 and $231,821, respectively	1,321,976	3,100,415
Total Assets	$2,034,234	$3,854,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 5,207	$ 18,065
Accrued liabilities	40,532	96,350
Current portion of long-term liabilities—		
Notes payable and commercial bank financing	35,215	50,007
Notes and capital leases payable to affiliates	3,073	4,063
Program contracts payable	66,404	94,780
Deferred barter revenues	4,273	5,625
Total current liabilities	154,704	268,890
LONG-TERM LIABILITIES:		
Notes payable and commercial bank financing	1,022,934	2,254,108
Notes and capital leases payable to affiliates	19,500	19,043
Program contracts payable	62,408	74,802
Deferred tax liability	24,092	184,736
Other long-term liabilities	3,611	33,361
Total liabilities	1,287,249	2,834,940
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES	3,697	3,599
COMMITMENTS AND CONTINGENCIES		
COMPANY OBLIGATED MANDATORILY REDEEMABLE SECURITIES OF SUBSIDIARY TRUST HOLDING SOLELY KDSM SENIOR DEBENTURES	200,000	200,000
STOCKHOLDERS' EQUITY:		
Series B Preferred stock, $.01 par value, 10,000,000 shares authorized and 1,071,381 and 39,581 issued and outstanding	11	—
Series D Preferred stock, $.01 par value, 3,450,000 shares authorized and 3,450,000 shares issued and outstanding	35	35
Class A Common stock, $.01 par value, 200,000,000 and 500,000,000 shares authorized and 27,466,860 and 47,445,731 shares issued and outstanding, respectively	274	474
Class B Common stock, $.01 par value, 70,000,000 and 140,000,000 shares authorized and 50,872,864 and 49,075,428 shares issued and outstanding	509	491
Additional paid-in capital	552,557	768,648
Additional paid-in capital—equity put options	23,117	113,502
Additional paid-in capital—deferred compensation	(954)	(7,616)
Accumulated deficit	(32,261)	(59,491)
Total stockholders' equity	543,288	816,043
Total Liabilities and Stockholders' Equity	$2,034,234	$3,854,582

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 1996, 1997 and 1998
(in thousands, except per share data)

	1996	1997	**1998**
REVENUES:			
Station broadcast revenues, net of agency commissions of $56,040, $74,984 and $104,273, respectively	$346,459	$471,228	**$ 672,806**
Revenues realized from station barter arrangements	32,029	45,207	**63,998**
Total revenues	378,488	516,435	**736,804**
OPERATING EXPENSES:			
Program and production	66,652	92,178	**139,143**
Selling, general and administrative	75,924	106,084	**147,998**
Expenses realized from station barter arrangements	25,189	38,114	**54,067**
Amortization of program contract costs and net realizable value adjustments	47,797	66,290	**72,403**
Stock-based compensation	739	1,636	**3,282**
Depreciation and amortization of property and equipment	11,711	18,040	**29,153**
Amortization of acquired intangible broadcasting assets, non-compete and consulting agreements and other assets	58,530	67,840	**98,372**
Amortization of excess syndicated programming	3,043	—	**—**
Total operating expenses	289,585	390,182	**544,418**
Broadcast operating income	88,903	126,253	**192,386**
OTHER INCOME (EXPENSE):			
Interest and amortization of debt discount expense	(84,314)	(98,393)	**(138,952)**
Subsidiary trust minority interest expense	—	(18,600)	**(23,250)**
Net gain on sale of broadcast assets	—	—	**12,001**
Unrealized loss on derivative instrument	—	—	**(9,050)**
Interest income	3,136	2,174	**5,672**
Other income	342	54	**1,034**
Income before provision for income taxes and extraordinary item	8,067	11,488	**39,841**
PROVISION FOR INCOME TAXES	6,936	15,984	**45,658**
Net income (loss) before extraordinary item	1,131	(4,496)	**(5,817)**
EXTRAORDINARY ITEM:			
Loss on early extinguishment of debt, net of related income tax benefit of $4,045 and $7,370, respectively	—	(6,070)	**(11,063)**
NET INCOME (LOSS)	$ 1,131	$ (10,566)	**$ (16,880)**
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 1,131	$ (13,329)	**$ (27,230)**
BASIC EARNINGS PER SHARE:			
Income (loss) per share before extraordinary item	$ .02	$ (.10)	**$ (.17)**
Net income (loss) per share	$ .02	$ (.19)	**$ (.29)**
Average shares outstanding	69,496	71,902	**94,321**
DILUTED EARNINGS PER SHARE:			
Income (loss) per share before extraordinary item	$ .02	$ (.10)	**$ (.17)**
Net income (loss) per share	$ .02	$ (.19)	**$ (.29)**
Average shares outstanding	74,762	80,156	**95,692**

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1996, 1997 and 1998
(in thousands)

	Series A Preferred Stock	Series B Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Additional Paid-In Capital– Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity
BALANCE, December 31, 1995, as previously reported	$ —	$—	$ 59	$290	$116,088	$ —	$(20,063)	$ 96,374
Two-for-one stock split	—	—	59	289	(348)	—	—	—
BALANCE, December 31, 1995, as adjusted	—	—	118	579	115,740	—	(20,063)	96,374
Class B Common Stock converted into Class A Common Stock	—	—	22	(22)	—	—	—	—
Issuance of Series A Preferred Stock	12	—	—	—	125,067	—	—	125,079
Series A Preferred Stock converted into Series B Preferred Stock	(12)	12	—	—	—	—	—	—
Repurchase and retirement of 30,000 shares of Class A Common Stock	—	—	—	—	(748)	—	—	(748)
Stock option grants	—	—	—	—	25,784	(1,868)	—	23,916
Equity put options	—	—	—	—	(8,938)	—	—	(8,938)
Amortization of deferred compensation	—	—	—	—	—	739	—	739
Income tax benefit related to deferred compensation	—	—	—	—	(300)	—	—	(300)
Net income	—	—	—	—	—	—	1,131	1,131
BALANCE, December 31, 1996	$ —	$12	$140	$557	$256,605	$(1,129)	$(18,932)	$237,253

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1996, 1997 and 1998
(in thousands)

	Series B Preferred Stock	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Additional Paid-In Capital– Equity Put Options	Additional Paid-In Capital– Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity
BALANCE, December 31, 1996, as adjusted	$12	$ —	$140	$557	$256,605	$ —	$(1,129)	$(18,932)	$237,253
Repurchase and retirement of 186,000 shares of Class A Common Stock	—	—	(4)	—	(4,595)	—	—	—	(4,599)
Class B Common Stock converted into Class A Common Stock	—	—	48	(48)	—	—	—	—	—
Series B Preferred Stock converted into Class A Common Stock	(1)	—	4	—	(3)	—	—	—	—
Issuance of Class A Common Stock, net of related issuance costs of $7,572	—	—	86	—	150,935	—	—	—	151,021
Issuance of Series D Preferred Stock, net of related issuance costs of $5,601	—	35	—	—	166,864	—	—	—	166,899
Dividends payable on Series D Preferred Stock	—	—	—	—	—	—	—	(2,763)	(2,763)
Equity put options	—	—	—	—	(14,179)	23,117	—	—	8,938
Equity put options premium	—	—	—	—	(3,365)	—	—	—	(3,365)
Stock option grants	—	—	—	—	430	—	(430)	—	—
Stock option grants exercised	—	—	—	—	105	—	—	—	105
Amortization of deferred compensation	—	—	—	—	—	—	605	—	605
Income tax benefit related to deferred compensation	—	—	—	—	(240)	—	—	—	(240)
Net loss	—	—	—	—	—	—	—	(10,566)	(10,566)
BALANCE, December 31, 1997	$11	$35	$274	$509	$552,557	$23,117	$ (954)	$(32,261)	$543,288

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1996, 1997 and 1998
(in thousands)

	Series B Preferred Stock	Series D Preferred Stock	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Additional Paid-In Capital– Equity Put Options	Additional Paid-In Capital– Deferred Compensation	Accumulated Deficit	Total Stockholders' Equity
BALANCE, December 31, 1997, as adjusted	$ 11	$35	$274	$509	$552,557	$ 23,117	$ (954)	$ (32,261)	$543,288
Class B Common Stock converted into Class A Common Stock	—	—	18	(18)	—	—	—	—	—
Series B Preferred Stock converted into Class A Common Stock	(11)	—	75	—	(64)	—	—	—	—
Dividends payable on Series D Preferred Stock	—	—	—	—	—	—	—	(10,350)	(10,350)
Stock option grants	—	—	—	—	8,383	—	(8,383)	—	—
Stock option grants exercised	—	—	1	—	1,143	—	—	—	1,144
Class A Common Stock shares issued pursuant to employee benefit plans	—	—	1	—	1,989	—	—	—	1,990
Equity put options	—	—	—	—	(90,385)	90,385	—	—	—
Repurchase and retirement of 1,505,000 shares of Class A Common Stock	—	—	(15)	—	(26,650)	—	—	—	(26,665)
Equity put option premiums	—	—	—	—	(12,938)	—	—	—	(12,938)
Issuance of Class A Common Stock	—	—	120	—	335,003	—	—	—	335,123
Amortization of deferred compensation	—	—	—	—	—	—	1,721	—	1,721
Income tax benefit related to deferred compensation	—	—	—	—	(390)	—	—	—	(390)
Net loss	—	—	—	—	—	—	—	(16,880)	(16,880)
BALANCE, December 31, 1998	**$ —**	**$35**	**$474**	**$491**	**$768,648**	**$113,502**	**$(7,616)**	**$ (59,491)**	**$816,043**

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1997 and 1998
(in thousands)

	1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 1,131	$(10,566)	**$ (16,880)**
Adjustments to reconcile net income (loss) to net cash flows from operating activities—			
Extraordinary loss	—	10,115	**18,433**
(Gain) loss on sale of broadcast assets	—	226	**(12,001)**
Loss on derivative instrument	—	—	**9,050**
Amortization of debt discount	—	4	**98**
Depreciation and amortization of property and equipment	11,711	18,040	**29,153**
Amortization of acquired intangible broadcasting assets, non-compete and consulting agreements and other assets	58,530	67,840	**98,372**
Amortization of program contract costs and net realizable value adjustments	50,840	66,290	**72,403**
Amortization of deferred compensation	739	1,636	**1,721**
Deferred tax provision (benefit)	2,330	20,582	**30,700**
Net effect of change in deferred barter revenues and deferred barter costs	(908)	591	**(624)**
Decrease in minority interest	(121)	(183)	**(98)**
Changes in assets and liabilities, net of effects of acquisitions and dispositions—			
Increase in accounts receivable, net	(41,310)	(9,468)	**(68,207)**
Increase in prepaid expenses and other current assets	(217)	(591)	**(2,475)**
(Increase) decrease in refundable income taxes	—	(10,581)	**10,581**
Increase (decrease) in accounts payable and accrued liabilities	16,727	(5,330)	**44,038**
Increase (decrease) in other long-term liabilities	297	(921)	**483**
Payments on program contracts payable	(30,451)	(51,059)	**(64,267)**
Net cash flows from operating activities	$ 69,298	$ 96,625	**$150,480**

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1996, 1997 and 1998
(in thousands)

	1996	1997	**1998**
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 69,298	$ 96,625	**$ 150,480**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment	(12,609)	(19,425)	**(19,426)**
Payments for acquisitions of television and radio stations	(1,007,572)	(202,910)	**(2,058,015)**
Deposits and other costs related to future acquisitions	—	—	**(10,243)**
Proceeds from assignment of FCC purchase option	—	2,000	**—**
Distributions from (investments in) joint ventures	(380)	380	**665**
Proceeds from sale of broadcast assets	—	470	**273,290**
Loans to officers and affiliates	(854)	(1,199)	**(2,073)**
Repayments of loans to officers and affiliates	1,562	1,694	**3,120**
Net cash flows used in investing activities	(1,019,853)	(218,990)	**(1,812,682)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable and commercial bank financing	982,500	126,500	**1,822,677**
Repayments of notes payable, commercial bank financing and capital leases	(110,657)	(693,519)	**(578,285)**
Repayments of notes and capital leases to affiliates	(1,867)	(2,313)	**(1,798)**
Payments of costs related to bank financings	(21,294)	(5,181)	**(11,138)**
Prepayments of excess syndicated program contract liabilities	(7,488)	(1,373)	**—**
Repurchases of the Company's Class A Common Stock	(748)	(4,599)	**(26,665)**
Payments relating to redemption of 1993 Notes	—	(106,508)	**—**
Dividends paid on Series D Preferred Stock	—	(2,357)	**(10,350)**
Proceeds from exercise of stock options	—	105	**1,144**
Payment received upon execution of derivative instrument	—	—	**9,450**
Payment of equity put option premiums	—	(507)	**(14,015)**
Net proceeds from issuances of Senior Subordinated Notes	—	438,427	**—**
Net proceeds from issuances of Class A Common Stock	—	151,021	**335,123**
Net proceeds from issuance of Series D Preferred Stock	—	166,899	**—**
Net proceeds from subsidiary trust securities offering	—	192,756	**—**
Net cash flows from financing activities	840,446	259,351	**1,526,143**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(110,109)	136,986	**(136,059)**
CASH AND CASH EQUIVALENTS, beginning of period	112,450	2,341	**139,327**
CASH AND CASH EQUIVALENTS, end of period	$ 2,341	$ 139,327	**$ 3,268**

The accompanying notes are an integral part of these consolidated statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of Sinclair Broadcast Group, Inc., Sinclair Communications, Inc. and all other consolidated subsidiaries, which are collectively referred to hereafter as "the Company, Companies or SBG." The Company owns and operates television and radio stations throughout the United States. Additionally, included in the accompanying consolidated financial statements are the results of operations of certain television stations pursuant to local marketing agreements (LMAs) and radio stations pursuant to joint sales agreements (JSAs).

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its wholly-owned and majority-owned subsidiaries. Minority interest represents a minority owner's proportionate share of the equity in two of the Company's subsidiaries. In addition, the Company uses the equity method of accounting for 20% to 50% ownership investments. All significant intercompany transactions and account balances have been eliminated.

USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in the disclosures of contingent assets and liabilities. While actual results could differ from those estimates, management believes that actual results will not be materially different from amounts provided in the accompanying consolidated financial statements.

PROGRAMMING

The Companies have agreements with distributors for the rights to television programming over contract periods which generally run from one to seven years. Contract payments are made in installments over terms that are generally shorter than the contract period. Each contract is recorded as an asset and a liability at an amount equal to its gross contractual commitment when the license period begins and the program is available for its first showing. The portion of program contracts which become payable within one year is reflected as a current liability in the accompanying consolidated balance sheets.

The rights to program materials are reflected in the accompanying consolidated balance sheets at the lower of unamortized cost or estimated net realizable value. Estimated net realizable values are based upon management's expectation of future advertising revenues net of sales commissions to be generated by the program material. Amortization of program contract costs is generally computed under either a four year accelerated method or based on usage, whichever yields the greater amortization for each program. Program contract costs, estimated by management to be amortized in the succeeding year, are classified as current assets. Payments of program contract liabilities are typically paid on a scheduled basis and are not affected by adjustments for amortization or estimated net realizable value.

BARTER ARRANGEMENTS

Certain program contracts provide for the exchange of advertising air time in lieu of cash payments for the rights to such programming. These contracts are recorded as the programs are aired at the estimated fair value of the advertising air time given in exchange for the program rights. Network programming is excluded from these calculations.

The Company broadcasts certain customers' advertising in exchange for equipment, merchandise and services. The estimated fair value of the equipment, merchandise or services received is recorded as deferred barter costs and the corresponding obligation to broadcast advertising is recorded as deferred barter revenues. The deferred barter costs are expensed or capitalized as they are used, consumed or received. Deferred barter revenues are recognized as the related advertising is aired.

OTHER ASSETS

Other assets as of December 31, 1997 and 1998 consist of the following (in thousands):

	1997	1998
Unamortized costs relating to securities issuances	$ 43,011	**$30,854**
Equity interest investments	2,850	**4,003**
Notes and accrued interest receivable	11,102	**44,893**
Purchase option	27,826	**2,000**
Deposits and other costs relating to future acquisitions	82,275	**11,283**
Other	1,031	**371**
	$168,095	**$93,404**

ACQUIRED INTANGIBLE BROADCASTING ASSETS

Acquired intangible broadcasting assets are being amortized on a straight-line basis over periods of 1 to 40 years. These amounts result from the acquisition of certain television and radio station license and non-license assets. The Company monitors the individual financial performance of each of the stations and continually evaluates the realizability of intangible and tangible assets and the existence of any impairment to its recoverability based on the projected undiscounted cash flows of the respective stations. As of December 31, 1998, Management believes that the carrying amounts of the Company's tangible and intangible assets have not been impaired.

Intangible assets as of December 31, 1997 and 1998, consist of the following (in thousands):

	Amortization Period	1997	1998
Goodwill	40 years	$ 755,858	**$1,475,666**
Intangibles related to LMAs	15 years	128,080	**454,181**
Decaying advertiser base	15 years	95,657	**113,854**
FCC licenses	25 years	400,073	**760,482**
Network affiliations	25 years	55,966	**477,732**
Other	1–40 years	24,403	**50,321**
		1,460,037	**3,332,236**
Less—Accumulated amortization		(138,061)	**(231,821)**
		$1,321,976	**$3,100,415**

ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31, 1997 and 1998 (dollars in thousands):

	1997	1998
Compensation	$10,608	**$19,108**
Accrued taxes payable	—	**10,788**
Interest	18,359	**44,761**
Other accruals relating to operating expenses	11,565	**21,693**
	$40,532	**$96,350**

SUPPLEMENTAL INFORMATION—STATEMENT OF CASH FLOWS

During 1996, 1997 and 1998 the Company incurred the following transactions (in thousands):

	1996	1997	1998
Purchase accounting adjustments related to deferred taxes	$ 18,051	$ —	**$113,950**
Capital lease obligations incurred	$ —	$10,927	**$ 3,807**
Issuance of Series A Preferred Stock	$125,079	$ —	**$ —**
Income taxes paid	$ 6,837	$ 6,502	**$ 3,588**
Subsidiary trust minority interest payments	$ —	$17,631	**$ 23,250**
Interest paid	$ 82,814	$98,521	**$117,658**

LOCAL MARKETING AGREEMENTS

The Company generally enters into LMAs, JSAs and similar arrangements with stations located in markets in which the Company already owns and operates a station, and in connection with acquisitions, pending regulatory approval of transfer of License Assets. Under the terms of these agreements, the Company makes specified periodic payments to the owner-operator in exchange for the grant to the Company of the right to program and sell advertising on a specified portion of the station's inventory of broadcast time. Nevertheless, as the holder of the Federal Communications Commission (FCC) license, the owner-operator retains control and responsibility for the operation of the station, including responsibility over all programming broadcast on the station.

Included in the accompanying consolidated statements of operations for the years ended December 31, 1996, 1997 and 1998, are net revenues of $153.0 million, $135.0 million and $207.8 million, respectively, that relate to LMAs and JSAs.

BROADCAST ASSETS HELD FOR SALE

Broadcast assets held for sale primarily comprise four radio stations in the Norfolk, Virginia market acquired in connection with the Heritage Acquisition and Max Media Acquisition (see Note 11). The Company is required to divest of certain of these radio stations due to FCC ownership guidelines. The Company is currently engaged in discussions with potential buyers with respect to three of these stations and expects to complete the sale of these stations during 1999. The Company capitalized interest relating to the carrying cost associated with these radio stations of $1.6 million for the year ended December 31, 1998.

RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform with the current year presentation.

2. PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed under the straight-line method over the following estimated useful lives:

Buildings and improvements	10–35 years
Station equipment	5–10 years
Office furniture and equipment	5–10 years
Leasehold improvements	10–31 years
Automotive equipment	3– 5 years
Property and equipment and autos under capital leases	Shorter of 10 years or the lease term

Property and equipment consisted of the following as of December 31, 1997 and 1998 (in thousands):

	1997	**1998**
Land and improvements	$ 10,225	**$ 14,365**
Buildings and improvements	41,436	**58,415**
Station equipment	130,586	**230,221**
Office furniture and equipment	14,037	**26,083**
Leasehold improvements	8,457	**11,516**
Automotive equipment	4,090	**9,122**
	208,831	**349,722**
Less—Accumulated depreciation and amortization	(47,117)	**(69,331)**
	$161,714	**$280,391**

3. DERIVATIVE INSTRUMENTS:

The Company enters into derivative instruments primarily for the purpose of reducing the impact of changing interest rates and to monetize the benefits associated with a historically low interest rate environment. In addition, the Company has entered into put and call option derivative instruments relating to the Company's Class A Common Stock in order to hedge the possible dilutive effect of employees exercising stock options pursuant to the Company's stock option plans. The Company does not enter into derivative instruments for speculative trading purposes. With the exception of the Company's Treasury Option Derivative Instrument (described below), the Company does not reflect the changes in fair market value related to derivative instruments in the accompanying financial statements.

During 1998, FASB issued SFAS 133 "Accounting for Derivative Instruments and for Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative investments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. SFAS 133 is effective for the Company beginning January 1, 2000. The Company is evaluating its eventual impact on its financial statements.

INTEREST RATE HEDGING DERIVATIVE INSTRUMENTS

The Company enters into interest rate derivative agreements to reduce the impact of changing interest rates on its floating rate debt. The 1998 Bank Credit Agreement, as amended and restated, requires the Company to enter into Interest Rate Protection Agreements at rates not to exceed 10% per annum as to a notional principal amount at least equal to 60% of the Term Loan, Revolving Credit Facility and Senior Subordinated Notes scheduled to be outstanding from time to time.

As of December 31, 1998, the Company had several interest rate swap agreements which expire from July 7, 1999 to July 15, 2007. The swap agreements set rates in the range of 5.5% to 8.1%. Floating interest rates are based upon the three month London Interbank Offered Rate (LIBOR) rate, and the measurement and settlement is performed quarterly. Settlements of these agreements are recorded as adjustments to interest expense in the relevant periods. The notional amounts related to these agreements were $1.1 billion at December 31, 1998, and decrease to $200 million through the expiration dates.

In addition, the Company has entered into floating rate derivatives with notional amounts totaling $200 million. Based on the Company's currently hedged position, $1.7 billion or 73% of the Company's outstanding indebtedness is hedged. The Company has no intentions of terminating these instruments prior to their expiration dates unless it were to prepay a portion of its bank debt. The counter parties to these agreements are international financial institutions. The Company estimates the fair value of these instruments at December 31, 1997 and 1998 to be $0.7 million and $3.0 million, respectively. The fair value of the interest rate hedging derivative instruments is estimated by obtaining quotations from the financial institutions which are a party to the Company's derivative contracts (the "Banks"). The fair value is an estimate of the net amount that the Company would pay at December 31, 1998 if the contracts were transferred to other parties or canceled by the Banks.

TREASURY OPTION DERIVATIVE INSTRUMENT

In August 1998, the Company entered into a treasury option derivative contract (the "Option Derivative"). The Option Derivative contract provides for 1) an option exercise date of September 30, 2000, 2) a notional amount of $300 million and 3) a five-year treasury strike rate of 6.14%. If the interest rate yield on five-year treasury securities is less than the strike rate on the option exercise date, the Company would be obligated to pay five consecutive annual payments in an amount equal to the strike rate less the five-year treasury rate multiplied by the notional amount beginning September 30, 2001 through

September 30, 2006. If the interest rate yield on five-year treasury securities is greater than the strike rate on the option exercise date, the Company would not be obligated to make any payments.

Upon the execution of the Option Derivative contract, the Company received a cash payment representing an option premium of $9.5 million which was recorded in "Other long-term liabilities" in the accompanying balance sheets. The Company is required to periodically adjust its liability to the present value of the future payments of the settlement amounts based on the forward five-year treasury rate at the end of an accounting period. The fair market value adjustment for 1998 resulted in an income statement charge (unrealized loss) of $9.1 million for the year ended December 31, 1998.

EQUITY PUT AND CALL OPTION DERIVATIVE INSTRUMENTS:

1996 Options

During December 1996, the Company entered into put and call option contracts related to the Company's common stock. These option contracts were entered into for the purpose of hedging the dilution of the Company's common stock upon the exercise of stock options granted and can either be physically settled in cash or net physically settled in shares, at the election of the Company. The Company entered into 500,000 call options for common stock and 641,200 put options for common stock, with a strike price of $18.875 and $13.94 per common share, respectively.

1997 Options

In April 1997, the Company entered into additional put and call option contracts related to its common stock for the purpose of hedging the dilution of the common stock upon the exercise of stock options granted. The Company entered into 1,100,000 European style (that is, exercisable on the expiration date only) put options for common stock with a strike price of $12.89 per share which provide for settlement in cash or in shares, at the election of the Company. The Company entered into 1,100,000 American style (that is, exercisable any time on or before the expiration date) call options for common stock with a strike price of $12.89 per share which provide for settlement in cash or in shares, at the election of the Company.

1998 Options

In July 1998, the Company entered into put and call option contracts related to the Company's common stock (the "July Options"). In September 1998, the Company entered into additional put and call option contracts related to the Company's common stock (the "September Options"). These option contracts allow for settlement in cash or net physically in shares, at the election of the Company. The Company entered into these option contracts for the purpose of hedging the dilution of the Company's common stock upon the exercise of stock options granted. The July Options included 2,700,000 call options for common stock and 2,700,000 put options for common stock, with a strike price of $33.27 and $28.93 per common share, respectively. The September Options included 467,000 call options for common stock and 700,000 put options for common stock, with a strike price of $28.00 and $16.0625 per common share, respectively. For the year ended December 31, 1998, option premium payments of $12.2 million and $0.7 million were made relating to the July and September Options, respectively. The Company recorded these premium payments as a reduction of additional paid-in capital. To the extent that the Company entered into put options related to its common stock, the additional paid-in capital amounts were reclassified accordingly and reflected as Equity Put Options in the accompanying balance sheet as of December 31, 1998.

4. NOTES PAYABLE AND COMMERCIAL BANK FINANCING:

1996 BANK CREDIT AGREEMENT

In order to finance the acquisition of the non-license assets of River City and potential future acquisitions, the Company amended and restated its Bank Credit Agreement on May 31, 1996 (the "1996 Bank Credit Agreement"). The 1996 Bank Credit Agreement consisted of three classes: Tranche A Term Loan, Tranche B Term Loan and a Revolving Credit Commitment.

The Tranche A Term Loan was a term loan in a principal amount not to exceed $550 million and was scheduled to be paid in quarterly installments beginning December 31, 1996 through December 31, 2002. The Tranche B Term Loan was a term loan in a principal amount not to exceed $200 million and was scheduled to be paid in quarterly installments beginning December 31, 1996 through November 2003. The Revolving Credit Commitment was a revolving credit facility in a principal amount not to exceed $250 million and was scheduled to have reduced availability quarterly beginning March 31, 1999 through November 30, 2003.

The applicable interest rate for the Tranche A Term Loan and the Revolving Credit Commitment was either LIBOR plus 1.25% to 2.5% or the alternative base rate plus zero to 1.25%. The applicable interest rate for the Tranche A Term Loan and the Revolving Credit Commitment was adjusted based on the ratio of total debt to four quarters trailing earnings before interest, taxes, depreciation and amortization. The applicable interest rate for Tranche B was either LIBOR plus 2.75% or the base rate plus 1.75%. The weighted average interest rates for outstanding indebtedness relating to the 1996 Bank Credit Agreement during 1996 and as of December 31, 1996, were 8.08% and 8.12%, respectively. Interest expense relating to the 1996 Bank Credit Agreement was $40.4 million for the year ended December 31, 1996. The Company amended and restated the 1996 Bank Credit Agreement as discussed below.

1997 BANK CREDIT AGREEMENT

In order to expand its capacity and obtain more favorable terms with its syndicate of banks, the Company amended and restated the 1996 Bank Credit Agreement in May 1997 (the "1997 Bank Credit Agreement"). Contemporaneously with the 1997 Preferred Stock Offering and the 1997 Common Stock Offering (see Note 12) consummated in September 1997, the Company amended its 1997 Bank Credit Agreement. The 1997 Bank Credit Agreement, as amended, consisted of two classes: Tranche A Term Loan and a Revolving Credit Commitment.

The Tranche A Term Loan was a term loan in a principal amount not to exceed $325 million and was scheduled to be paid in quarterly installments through December 31, 2004. The Revolving Credit Commitment was a revolving credit facility in a principal amount not to exceed $675 million and was scheduled to have reduced availability quarterly through December 31, 2004. As of December 31, 1997, outstanding indebtedness under the Tranche A Term Loan and the Revolving Credit Commitment were $307.1 million and $-0- respectively.

The applicable interest rate for the Tranche A Term Loan and the Revolving Credit Commitment was either LIBOR plus 0.5% to 1.875% or the alternative base rate plus zero to 0.625%. The applicable interest rate for the Tranche A Term Loan and the Revolving Credit Commitment was to be adjusted based on the ratio of total debt to four quarters' trailing earnings before interest, taxes, depreciation and amortization. The weighted average interest rates for outstanding indebtedness relating to the 1997 Bank Credit Agreement during 1997 and as of December 31, 1997 were 7.4% and 8.5%, respectively. The interest expense relating to the 1997 Bank Credit Agreement was $46.7 million for the year ended December 31, 1997. The Company replaced the 1997 Bank Credit Agreement with the 1998 Bank Credit Agreement in May 1998 as discussed below.

1998 BANK CREDIT AGREEMENT

In order to expand its borrowing capacity to fund future acquisitions and obtain more favorable terms with its syndicate of banks, the Company obtained a new $1.75 billion senior secured credit facility (the "1998 Bank Credit Agreement"). The 1998 Bank Credit Agreement was executed in May of 1998 and includes (i) a $750.0 million Term Loan Facility repayable in consecutive quarterly installments commencing on March 31, 1999 and ending on September 15, 2005; and (ii) a $1.0 billion reducing Revolving Credit Facility. Availability under the Revolving Credit Facility reduces quarterly, commencing March 31, 2001 and terminating on September 15, 2005. Not more than $350.0 million of the Revolving Credit Facility will be available for issuances of letters of credit. The 1998 Bank Credit Agreement also includes a standby uncommitted multiple draw term loan facility of $400.0 million. The Company is required to prepay the term loan facility and reduce the revolving credit facility with (i) 100% of the net proceeds of any casualty loss or condemnation; (ii) 100% of the net proceeds of any sale or other disposition by the Company of any assets in excess of $100.0 million in the aggregate for any fiscal year, to the extent not used to acquire new assets; and (iii) 50% of excess cash flow (as defined) if the Company's ratio of debt to EBITDA (as defined) exceeds a certain threshold. The 1998 Bank Credit Agreement contains representations and warranties, and affirmative and negative covenants, including among other restrictions, limitations on additional indebtedness, customary for credit facilities of this type. The 1998 Bank Credit Agreement is secured only by a pledge of the stock of each subsidiary of the Company other than KDSM, Inc., KDSM Licensee, Inc., Cresap Enterprises, Inc. and Sinclair Capital. The Company is required to maintain certain debt covenants in connection with the 1998 Bank Credit Agreement. As of December 31, 1998, the Company is in compliance with all debt covenants.

The applicable interest rate for the Term Loan Facility and the Revolving Credit Facility is either LIBOR plus 0.5% to 1.875% or the alternative base rate plus zero to 0.625%. The applicable interest rate for the Term Loan Facility and the Revolving Credit Facility is adjusted based on the ratio of total debt to four quarters' trailing earnings before interest, taxes, depreciation and amortization. As of December 31, 1998, the Company's applicable interest rate for borrowings under the 1998 Bank Credit Agreement is either LIBOR plus 1.5% or the alternative base rate plus .25%.

As a result of entering into the Company's 1998 Bank Credit Agreement, the Company incurred debt acquisition costs of $11.1 million and recognized an extraordinary loss of $11.1 million net of a tax benefit of $7.4 million. The extraordinary loss represents the write-off of debt acquisition costs associated with indebtedness replaced by the new facility. The weighted average interest rates for outstanding indebtedness relating to the 1998 Bank Credit Agreement during 1998 and as of December 31, 1998 were 6.8% and 6.3%, respectively. Combined interest expense relating to the 1997 and 1998 Bank Credit Agreements was $66.1 million for year ended December 31, 1998.

8¾% SENIOR SUBORDINATED NOTES DUE 2007

In December 1997, the Company completed an issuance of $250 million aggregate principal amount of 8¾% Senior Subordinated Notes due 2007 (the "8¾% Notes") pursuant to a shelf registration statement and generated net proceeds to the Company of $242.8 million. Of the net proceeds from the issuance, $106.2 million was utilized to tender the Company's 1993 Notes with the remainder retained for general corporate purposes which may include payments relating to future acquisitions.

Interest on the 8¾% Notes is payable semiannually on June 15 and December 15 of each year, commencing June 15, 1998. Interest expense for the year ended December 31, 1997 and 1998 was $0.9 million and $21.9 million, respectively. The 8¾% Notes are issued under an Indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $5.8 million, including an underwriting discount of $5.0 million. These costs were capitalized and are being amortized over the life of the debt.

Based upon the quoted market price, the fair value of the 8¾% Notes as of December 31, 1997 and 1998 was $250.6 million and $254.4 million, respectively.

9% SENIOR SUBORDINATED NOTES DUE 2007

In July 1997, the Company completed an issuance of $200 million aggregate principal amount of 9% Senior Subordinated Notes due 2007 (the "9% Notes"). The Company utilized $162.5 million of the approximately $195.6 million net proceeds of the issuance to repay outstanding revolving credit indebtedness under the 1997 Bank Credit Agreement and utilized the remainder to fund acquisitions.

Interest on the 9% Notes is payable semiannually on January 15 and July 15 of each year, commencing January 15, 1998. Interest expense for the years ended December 31, 1997 and 1998 was $9.0 million and $18.0 million, respectively. The 9% Notes are issued under an Indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $4.8 million, including an underwriting discount of $4.0 million. These costs were capitalized and are being amortized over the life of the debt.

Based upon the quoted market price, the fair value of the 9% Notes as of December 31, 1997 and 1998 was $206.4 million and $205.3 million, respectively.

10% SENIOR SUBORDINATED NOTES DUE 2005

In August 1995, the Company completed an issuance of $300 million aggregate principal amount of 10% Senior Subordinated Notes (the "1995 Notes"), due 2005, generating net proceeds to the Company of $293.2 million. The net proceeds of this offering were utilized to repay outstanding indebtedness under the then existing Bank Credit Agreement of $201.8 million with the remainder being retained and eventually utilized to make payments related to certain acquisitions consummated during 1996.

Interest on the Notes is payable semiannually on March 30 and September 30 of each year, commencing March 30, 1996. Interest expense was $30.0 million for each of the three years ended December 31, 1996, 1997 and 1998. The notes are issued under an indenture among SBG, its subsidiaries (the guarantors) and the trustee. Costs associated with the offering totaled $6.8 million, including an underwriting discount of $6.0 million and are being amortized over the life of the debt.

Based upon the quoted market price, the fair value of the 1995 Notes as of December 31, 1997 and 1998 was $322.2 million and $319.8 million, respectively.

10% SENIOR SUBORDINATED NOTES DUE 2003 AND 1997 TENDER OFFER

In December 1993, the Company completed an issuance of $200 million aggregate principal amount of 10% Senior Subordinated Notes (the "1993 Notes"), due 2003. Subsequently, the Company determined that a redemption of $100.0 million was required. This redemption and a refund of $1.0 million of fees from the underwriters took place in the first quarter of 1994.

In December 1997, the Company completed a tender offer of $98.1 million aggregate principal amount of the 1993 Notes (the "Tender Offer"). Total consideration per $1,000 principal amount note tendered was $1,082.08 resulting in total consideration paid to consummate the Tender Offer of $106.2 million. In conjunction with the Tender Offer, the Company recorded an extraordinary loss of $6.1 million, net of a tax benefit of $4.0 million.

Interest on the Notes not tendered is payable semiannually on June 15 and December 15 of each year. Interest expense for the years ended December 31, 1996, 1997 and 1998, was $10.0 million, $9.6 million and $0.2 million, respectively. The Notes are issued under an Indenture among SBG, its subsidiaries (the guarantors) and the trustee.

Based upon the quoted market price, the fair value of the 1993 Notes as of December 31, 1998 is $2.0 million.

SUMMARY

Notes payable and commercial bank financing consisted of the following as of December 31, 1997 and 1998 (in thousands):

	1997	**1998**
Bank Credit Agreement, Term Loan	$ 307,125	**$ 750,000**
Bank Credit Agreement, Revolving Credit Facility	—	**803,000**
8¾% Senior Subordinated Notes, due 2007	250,000	**250,000**
9% Senior Subordinated Notes, due 2007	200,000	**200,000**
10% Senior Subordinated Notes, due 2003	1,899	**1,899**
10% Senior Subordinated Notes, due 2005	300,000	**300,000**
Installment note for certain real estate interest at 8.0%	101	**94**
	1,059,125	**2,304,993**
Less: Discount on 8¾% Senior Subordinated Notes, due 2007	(976)	**(878)**
Less: Current portion	(35,215)	**(50,007)**
	$1,022,934	**$2,254,108**

Indebtedness under the 1998 Bank Credit Agreement and notes payable as of December 31, 1998, mature as follows (in thousands):

1999	$ 50,007
2000	75,008
2001	100,009
2002	203,009
2003	276,909
2004 and thereafter	1,600,051
	2,304,993
Less: Discount on 8¾% Senior Subordinated Notes, due 2007	(878)
	$2,304,115

Substantially all of the Company's stock in its wholly owned subsidiaries has been pledged as security for notes payable and commercial bank financing.

5. NOTES AND CAPITAL LEASES PAYABLE TO AFFILIATES:

Notes and capital leases payable to affiliates consisted of the following as of December 31, 1997 and 1998 (in thousands):

	1997	1998
Subordinated installment notes payable to former majority owners, interest at 8.75%, principal payments in varying amounts due annually beginning October 1991, with a balloon payment due at maturity in May 2005	$ 9,574	**$ 8,636**
Capital lease for building, interest at 17.5%	1,198	**972**
Capital leases for broadcasting tower facilities, interest rates averaging 10%	3,720	**3,566**
Capitalization of time brokerage agreements, interest at 6.73% to 8.25%	6,611	**8,943**
Capital leases for building and tower, interest at 8.25%	1,470	**989**
	22,573	**23,106**
Less: Current portion	(3,073)	**(4,063)**
	$19,500	**$19,043**

Notes and capital leases payable to affiliates, as of December 31, 1998, mature as follows (in thousands):

1999	$ 5,868
2000	5,811
2001	5,262
2002	4,091
2003	2,782
2004 and thereafter	5,967
Total minimum payments due	29,781
Less: Amount representing interest	(6,675)
Present value of future notes and capital lease payments	$23,106

6. PROGRAM CONTRACTS PAYABLE:

Future payments required under program contracts payable as of December 31, 1998, are as follows (in thousands):

1999	$ 94,780
2000	44,805
2001	22,364
2002	5,679
2003	1,246
2004 and thereafter	708
	169,582
Less: Current portion	(94,780)
Long-term portion of program contracts payable	$ 74,802

Included in the current portion amounts are payments due in arrears of $20.7 million. In addition, the Companies have entered into noncancelable commitments for future program rights aggregating $153.0 million as of December 31, 1998.

The Company has estimated the fair value of its program contract payables and noncancelable commitments at approximately $118.9 million and $46.7 million, respectively, as of December 31, 1997, and $148.9 million and $126.3 million, respectively, at December 31, 1998. These estimates are based on future cash flows discounted at the Company's current borrowing rate.

7. RELATED PARTY TRANSACTIONS:

In connection with the start-up of an affiliate in 1990, certain SBG Class B Stockholders issued a note allowing them to borrow up to $3.0 million from the Company. This note was amended and restated June 1, 1994, to a term loan bearing interest of 6.88% with quarterly principal payments beginning March 31, 1996 through December 31, 1999. As of December 31, 1997 and 1998, the balance outstanding was approximately $1.3 and $0.7 million, respectively.

During the year ended December 31, 1993, the Company loaned Gerstell Development Limited Partnership (a partnership owned by Class B Stockholders) $2.1 million. The note bears interest at 6.18%, with principal payments beginning on November 1, 1994, and a final maturity date of October 1, 2013. As of December 31, 1997 and 1998, the balance outstanding was approximately $1.9 million and $1.8 million, respectively.

Concurrently with the Company's initial public offering, the Company acquired options from certain stockholders of Glencairn, LTD (Glencairn) that will grant the Company the right to acquire, subject to applicable FCC rules and regulations, up to 97% of the capital stock of Glencairn. The Glencairn option exercise price is based on a formula that provides a 10% annual return to Glencairn. Glencairn is the owner-operator and FCC licensee of WNUV in Baltimore, WVTV in Milwaukee, WRDC in Raleigh/Durham, WABM in Birmingham, KRRT in Kerrville, WFBC in Asheville/Greenville/Spartanburg and WTTE in Columbus. The Company has entered into five-year LMA agreements (with five-year renewal terms at the Company's option) with Glencairn pursuant to which the Company provides programming to Glencairn for airing on WNUV, WVTV, WRDC, WABM, KRRT, WFBC and WTTE. During the years ended December 31, 1996, 1997 and 1998, the Company made payments of $7.3 million, $8.4 million and $9.8 million, respectively, to Glencairn under these LMA agreements.

During the years ended December 31, 1996, 1997 and 1998, the Company from time to time entered into charter arrangements to lease aircraft owned by certain Class B stockholders. During the years ended December 31, 1996, 1997 and 1998, the Company incurred expenses of approximately $0.3 million, $0.7 million and $0.6 million related to these arrangements, respectively.

In May 1996, the Company acquired certain assets from River City, obtained options to acquire other assets from River City and entered into an LMA to provide programming services to certain television and radio stations, of which River City is the owner of the License Assets. Certain individuals who are direct or indirect beneficial owners of equity interests in River City are affiliates of the Company. During the years ended December 31, 1996, 1997 and 1998, the Company incurred LMA expenses relating to River City of $1.4 million, $.9 million and $.2 million, respectively.

An individual who is an affiliate of the Company is the owner of 100% of the common stock of Keymarket of South Carolina, Inc. ("KSC"). The Company exercised its option to acquire the assets of KSC for consideration of forgiveness of approximately $8.0 million of KSC debt. During 1997, the Company also purchased two properties from this affiliate for an aggregate purchase price of approximately $1.75 million as required by certain leases assigned to the Company in connection with the River City acquisition.

Certain assets used by the Company's operating subsidiaries are leased from Cunningham, KIG and Gerstell (entities owned by the Class B Stockholders). Lease payments made to these entities were $1.3 million, $1.4 million, and $1.5 million for the years ended December 31, 1996, 1997 and 1998, respectively.

8. INCOME TAXES:

The Company files a consolidated federal income tax return and separate company state tax returns. The provision (benefit) for income taxes consists of the following as of December 31, 1996, 1997 and 1998 (in thousands):

	1996	1997	**1998**
Provision for income taxes before extraordinary item	$6,936	$ 15,984	**$45,658**
Income tax effect of extraordinary item	—	(4,045)	**(7,370)**
	$6,936	$ 11,939	**$38,288**
Current:			
Federal	$ 127	$(10,581)	**$ 3,953**
State	4,479	1,938	**3,635**
	4,606	(8,643)	**7,588**
Deferred:			
Federal	2,065	18,177	**26,012**
State	265	2,405	**4,688**
	2,330	20,582	**30,700**
	$6,936	$ 11,939	**$38,288**

The following is a reconciliation of federal income taxes at the applicable statutory rate to the recorded provision:

	1996	1997	**1998**
Statutory federal income taxes	35.0%	35.0%	**35.0%**
Adjustments—			
State income and franchise taxes, net of federal effect	16.7	6.3	**9.5**
Goodwill amortization	24.3	17.0	**17.2**
Non-deductible expense items	6.1	8.5	**3.2**
Tax liability related to dividends on Parent Preferred Stock (a)	—	70.3	**43.8**
Other	3.9	2.0	**5.9**
Provision for income taxes	86.0%	139.1%	**114.6%**

(a) In March 1997, the Company issued the HYTOPS securities. In connection with this transaction, Sinclair Broadcast Group, Inc. (the "Parent") issued $206.2 million of Series C Preferred Stock (the "Parent Preferred Stock") to KDSM, Inc., a wholly owned subsidiary. Parent Preferred Stock dividends paid to KDSM, Inc. are considered taxable income for Federal tax purposes and not considered income for book purposes. Also for Federal tax purposes, KDSM, Inc. is allowed a tax deduction for dividends received on the Parent Preferred Stock in an amount equal to Parent Preferred Stock dividends received in each taxable year limited to the extent that the Parent's consolidated group has "earnings and profits." To the extent that dividends received by KDSM, Inc. are in excess of the Parent's consolidated group earnings and profits, the Parent will reduce its tax basis in the Parent Preferred Stock which gives rise to a deferred tax liability (to be recognized upon redemption) and KDSM, Inc.'s dividend income is treated as a permanent difference between taxable income and book income. During the years ended December 31, 1997 and 1998, the Parent did not generate "earnings and profits" in an amount greater than or equal to dividends paid on the Parent Preferred Stock. This resulted in a reduction in basis of the Parent's Series C Preferred Stock and generated a related deferred tax liability.

Temporary differences between the financial reporting carrying amounts and the tax basis of assets and liabilities give rise to deferred taxes. The Company had a net deferred tax liability of $21.5 million and $165.5 million as of December 31, 1997 and 1998, respectively. The realization of deferred tax assets is contingent upon the Company's ability to generate sufficient future taxable income to realize the future tax benefits associated with the net deferred tax asset. Management believes that deferred assets will be realized through future operating results.

The Company has total available Federal NOL's of approximately $58.5 million as of December 31, 1998, which expire during various years from 2001 to 2012. These NOL's are recorded in the deferred tax accounts in the accompanying Consolidated Balance Sheet as of December 31, 1998. Of these NOL's, $49.1 million are limited to use within a specific entity and subject to annual limitations under Internal Revenue Code Section 382 and similar state provisions.

Total deferred tax assets and deferred tax liabilities as of December 31, 1997 and 1998, including the effects of businesses acquired, and the sources of the difference between financial accounting and tax bases of the Company's assets and liabilities which give rise to the deferred tax assets and deferred tax liabilities and the tax effects of each are as follows (in thousands):

	1997	**1998**
Deferred Tax Assets:		
Accruals and reserves	$ 3,015	**$ 7,238**
Loss on disposal of fixed assets	148	**1,551**
Net operating losses	10,435	**28,809**
Program contracts	3,410	**1,283**
Tax credits	—	**3,110**
Treasury option derivative	—	**3,601**
Other	903	**2,433**
	$17,911	**$ 48,025**
Deferred Tax Liabilities:		
FCC license	$ 5,346	**$ 23,394**
Parent Preferred Stock deferred tax liability [see (a) above]	8,388	**25,833**
Fixed assets and intangibles	23,572	**160,759**
Capital lease accounting	1,647	**1,998**
Investment in partnerships	420	**734**
Other	80	**834**
	$39,453	**$213,552**

During 1998, the Company acquired the stock of Sullivan Broadcast Holdings, Inc. (Sullivan), Lakeland Group Television, Inc. (Lakeland) and the direct and indirect interests of Max Media Properties LLC (Max Media). The Company recorded net deferred tax liabilities resulting from these purchases of approximately $114.0 million under the purchase accounting guidelines of APB 16 and in accordance with SFAS 109. These net deferred tax liabilities primarily relate to the permanent differences between financial reporting carrying amounts and tax basis amounts measured upon the purchase date.

9. EMPLOYEE BENEFIT PLAN:

The Sinclair Broadcast Group, Inc. 401(k) Profit Sharing Plan and Trust (the "SBG Plan") covers eligible employees of the Company. Contributions made to the SBG Plan include an employee elected salary reduction amount, company matching contributions and a discretionary amount determined each year by the Board of Directors. The Company's 401(k) expense for the years ended December 31, 1996, 1997 and 1998, was $0.7 million, $1.0 million and $1.6 million, respectively. There were no discretionary contributions during these periods. During December 1997, the Company registered 800,000 shares of its Class "A" Common Stock with the Securities and Exchange Commission (the "Commission") to be issued as a matching contribution for the 1997 plan year and subsequent plan years.

10. CONTINGENCIES AND OTHER COMMITMENTS:

LITIGATION

Lawsuits and claims are filed against the Company from time to time in the ordinary course of business. These actions are in various preliminary stages, and no judgments or decisions have been rendered by hearing boards or courts. Management, after reviewing developments to date with legal counsel, is of the opinion that the outcome of such matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

OPERATING LEASES

The Company has entered into operating leases for certain property and equipment under terms ranging from three to ten years. The rent expense under these leases, as well as certain leases under month-to-month arrangements, for the years ended December 31, 1996, 1997 and 1998, aggregated approximately $3.1 million, $3.9 million and $6.8 million, respectively.

Future minimum payments under the leases are as follows (in thousands):

1999	$ 7,211
2000	5,312
2001	4,340
2002	3,611
2003	2,662
2004 and thereafter	13,023
	$36,159

11. ACQUISITIONS:

1996 ACQUISITIONS

River City Acquisition

In May 1996, the Company acquired certain non-license assets of River City for a purchase price of $967.1 million, providing as consideration 1,150,000 shares of Series A Convertible Preferred Stock with a fair market value of $125.1 million, 1,382,435 stock options with a fair market value of $23.9 million and cash payments totaling $818.1 million. The Company utilized indebtedness under its Bank Credit Agreement to finance the transaction. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $82.8 million, $375.6 million and $508.7 million, respectively, based upon an independent appraisal. Intangible assets are being amortized over 1 to 40 years.

In May 1996, the Company also entered into option agreements to purchase certain license assets for an aggregate option exercise price of $20 million. During 1996 and 1997, the Company exercised its options to acquire the FCC licenses for option exercise prices totaling $18.2 million and now owns all of the license assets of the television and radio stations with respect to which it acquired non-license assets from River City, other than WTTV-TV and WTTK-TV in Indianapolis, Indiana. In addition, the Company entered into an option agreement to purchase the license and non-license assets of WSYX-TV in Columbus, Ohio. During 1998, the Company exercised its option to acquire the non-license assets of WSYX (see discussion below).

In connection with the River City acquisition, the Company consummated the following transactions concurrent with or subsequent to the closing:

1. Series A Preferred Stock—As partial consideration for the acquisition of the non-license assets of River City, the Company issued 1,150,000 shares of Series A Preferred Stock. In June 1996, the Board of Directors of the Company adopted, upon approval of the stockholders by proxy, an amendment to the Company's amended and restated charter at which time Series A Preferred Stock was exchanged for and converted into Series B Preferred Stock. The Company recorded the issuance of Series A Preferred Stock in an amount equal to its fair market value on the date the River City acquisition was announced.
2. Series B Preferred Stock—Shares of Series B Preferred Stock are convertible at any time into shares of Class A Common Stock, with each share of Series B Preferred Stock convertible into approximately 7.27 shares of Series A Common Stock. The Company may redeem shares of Series B Preferred Stock only after the occurrence of certain events. If the Company seeks to redeem shares of Series B Preferred Stock and the stockholder elects to retain the shares, the shares will automatically be converted into common stock on the proposed redemption date. All shares of Series B Preferred stock remaining outstanding as of May 31, 2001, will automatically convert into Class A Common Stock. Series B Preferred Stock is entitled to 7.27 votes on all matters with respect to which Class A Common Stock has a vote.
3. The Baker Agreement—In connection with the acquisition of River City, the Company entered into a five-year agreement (the "Baker Agreement") with Barry Baker (the Chief Executive Officer of River City) pursuant to which Mr. Baker served as a consultant to the Company until terminating such services effective March 8, 1999 (the "Termination Date"). Under the terms of the Baker Agreement, until such time as Mr. Baker was able to become an officer of the Company, he was to serve as a consultant to the Company and receive compensation that he would be entitled to as an officer under the Baker Agreement. Additionally, if the Company terminated the Baker Agreement other than for cause (as defined) or Mr. Baker terminated the Baker Agreement for good cause (constituting certain occurrences specified in the agreement), Mr. Baker would be entitled to certain termination payments primarily representing consulting fees which would have been paid under the remaining term of the Baker Agreement.

   As of February 8, 1999, the conditions to Mr. Baker becoming an officer of the Company had not been satisfied, and on that date Mr. Baker and the Company entered into a termination agreement with effect on March 8, 1999. Mr. Baker has certain rights as a consequence of the termination of the Baker Agreement. These rights included entitlement to the termination payments described above and the right to purchase at fair market value the television and radio stations owned by the Company serving the St. Louis, Missouri market or the Greenville/Spartanburg/Ashville, South Carolina market (the "Broadcast Option"). Mr. Baker has 180 days from the Termination Date to exercise the Broadcast Option.

   Additional rights under the Baker Agreement also include allowing Mr. Baker to convert his Class A Common Stock into a class of preferred stock. Mr. Baker's Class A Common Stock would be convertible into preferred stock at a liquidation value conversion rate of $13.75 per share and would begin accruing a dividend beginning 180 days from the Termination Date. Mr. Baker has 160 days from the Termination Date to elect conversion of his Class A Common Stock.

Also, in conjunction with the River City acquisition, the Company entered into an agreement to purchase the non-license assets of KRRT, Inc., a television station in San Antonio, Texas, for a purchase price of $29.5 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $3.8 million, $0.4 million and $25.3 million, respectively, based upon an independent appraisal.

OTHER 1996 ACQUISITIONS

WSMH Acquisition. In May 1995, the Company entered into option agreements to acquire all of the license and non-license assets of WSMH-TV in Flint, Michigan (WSMH). In July 1995, the Company paid the $1.0 million option exercise price to exercise its option and in February 1996, the Company consummated the acquisition for a purchase price of $35.4 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $1.9 million, $6.0 million and $27.5 million, respectively, based upon an independent appraisal.

Superior Acquisition. In March 1996, the Company entered into an agreement to acquire the outstanding stock of Superior Communications, Inc. (Superior) which owns the license and non-license assets of the television stations KOCB in Oklahoma City, Oklahoma and WDKY in Lexington, Kentucky. In May 1996, the Company consummated the acquisition for a purchase price of $63.5 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $7.3 million, $20.4 million and $35.8 million, respectively, based upon an independent appraisal.

WYZZ Acquisition. In January 1996, the Company entered into an agreement to acquire license and non-license assets of the television station WYZZ in Peoria, Illinois. In July 1996, the Company consummated the acquisition for a purchase price of $21.1 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $2.2 million, $4.3 million and $14.6 million, respectively, based upon an independent appraisal.

KSMO Acquisition. In July 1996, the Company entered into an agreement to acquire license and non-license assets of the television station KSMO in Kansas City, Missouri through the exercise of its options described in Note 13 for a total purchase price of $10.0 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets and acquired intangible broadcasting assets for $4.6 million and $5.4 million, respectively, based upon an independent appraisal.

WSTR Acquisition. In August 1996, the Company acquired the license and non-license assets of the television station WSTR in Cincinnati, Ohio for a total purchase price of $8.7 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets and acquired intangible broadcasting assets for $6.2 million and $2.5 million, respectively, based upon an independent appraisal.

1997 ACQUISITION

KUPN Acquisition. In January 1997, the Company entered into a purchase agreement to acquire the license and non-license assets of KUPN-TV, the UPN affiliate in Las Vegas, Nevada, for a purchase price of $87.5 million. Under the terms of this agreement, the Company made cash deposit payments of $9.0 million and in May 1997, the Company closed on the acquisition making cash payments of $78.5 million for the remaining balance of the purchase price and other related closing costs. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $1.6 million, $17.9 million and $68.0 million, respectively, based upon an independent appraisal. The Company financed the transaction by utilizing proceeds from the HYTOPS offering combined with indebtedness under the 1997 Bank Credit Agreement.

1998 ACQUISITIONS AND DISPOSITIONS

Heritage Acquisition. In July 1997, the Company entered into a purchase agreement to acquire certain assets of the radio and television stations of Heritage for approximately $630 million (the "Heritage Acquisition"). Pursuant to the Heritage Acquisition, and after giving effect to the STC Disposition, Entercom Disposition and Centennial Disposition and a third party's exercise of its option to acquire radio station KCAZ in Kansas City, Missouri, the Company has acquired or is providing programming services to three television stations in two separate markets and 13 radio stations in four separate markets. In July 1998, the Company acquired three radio stations in the New Orleans, Louisiana market and simultaneously disposed of two of those stations (see the Centennial Disposition below). The acquisition was accounted for under the purchase method of accounting whereby the net purchase price for stations not sold was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $22.6 million, $222.8 million and $102.6 million, respectively, based on an independent appraisal.

1998 STC Disposition. In February 1998, the Company entered into agreements to sell to STC Broadcasting of Vermont, Inc. ("STC") two television stations and the Non-License Assets and rights to program a third television station, all of which were acquired in the Heritage Acquisition. In April 1998, the Company closed on the sale of the non-license assets of the three television stations in the Burlington, Vermont and Plattsburgh, New York market for aggregate consideration of approximately $70.0 million. During the third quarter of 1998, the Company sold the license assets for a sales price of $2.0 million.

Montecito Acquisition. In February 1998, the Company entered into an agreement to acquire all of the capital stock of Montecito Broadcasting Corporation ("Montecito") for approximately $33.0 million (the "Montecito Acquisition"). Montecito owns all of the issued and outstanding stock of Channel 33, Inc. which owns and operates KFBT-TV in Las Vegas, Nevada. Currently, the Company is a Guarantor of Montecito Indebtedness of approximately $33.0 million. The Company cannot acquire Montecito unless and until FCC rules permit SBG to own the broadcast license for more than one station in the Las Vegas market, or unless the Company no longer owns the broadcast license for KVWB-TV in Las Vegas. At any time the Company, at its option, may transfer the rights to acquire the stock of Montecito. In April 1998 the Company began programming KFBT-TV through an LMA upon expiration of the applicable HSR Act waiting period.

WSYX Acquisition and Sale of WTTE License Assets. In April 1998, the Company exercised its option to acquire the non-license assets of WSYX-TV in Columbus, Ohio from River City Broadcasting, LP ("River City") for an option exercise price and other costs of approximately $228.6 million. In August 1998, the Company exercised its option to acquire the WSYX License Assets for an option exercise price of $2.0 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $14.6 million, $179.3 million and $61.4 million, respectively based on an independent appraisal. Simultaneously with the WSYX Acquisition, the Company sold the WTTE license assets to Glencairn for a sales price of $2.3 million. In connection with the sale of the WTTE license assets, the Company recognized a $2.3 million gain.

SFX Disposition. In May 1998, the Company completed the sale of three radio stations to SFX Broadcasting, Inc. for aggregate consideration of approximately $35.0 million ("the SFX Disposition"). The radio stations sold are located in the Nashville, Tennessee market. In connection with the disposition, the Company recognized a $5.2 million gain on the sale.

Lakeland Acquisition. In May 1998, the Company acquired 100% of the stock of Lakeland Group Television, Inc. ("Lakeland") for cash payments of approximately $53.0 million (the "Lakeland Acquisition"). In connection with the Lakeland Acquisition, the Company now owns television station KLGT-TV in Minneapolis/St. Paul, Minnesota. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $5.1 million, $35.1 million and $29.4 million, respectively, based on an independent appraisal.

Entercom Disposition. In June 1998, the Company completed the sale of seven radio stations acquired in the Heritage acquisition. The seven stations are located in the Portland, Oregon and Rochester, New York markets and were sold for aggregate consideration of approximately $126.9 million.

Sullivan Acquisition. In July 1998, the Company acquired 100% of the stock of Sullivan Broadcast Holdings, Inc. for cash payments of approximately $951.0 million (the "Sullivan Acquisition"). The Company financed the acquisition by utilizing indebtedness under the 1998 Bank Credit Agreement. In connection with the acquisition, the Company has acquired the right to program 12 additional television stations in 10 separate markets. In a subsequent closing, which is expected to occur during 1999, the Company will acquire the stock of a company that owns the license assets of six of the stations. In addition, the Company expects to enter into new LMA agreements with respect to four of the stations and will continue to program two of the television stations pursuant to existing LMA agreements. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $58.2 million, $336.8 million and $637.6 million, respectively, based on an independent appraisal.

Max Media Acquisition. In July 1998, the Company directly or indirectly acquired all of the equity interests of Max Media Properties LLC, for $252.2 million (the "Max Media Acquisition"). The Company financed the acquisition by utilizing existing cash balances and indebtedness under the 1998 Bank Credit Agreement. In connection with the acquisition, the Company now owns or provides programming services to nine additional television stations in six separate markets and eight radio stations in two separate markets. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and programming assets, acquired intangible broadcasting assets and other intangible assets for $37.1 million, $144.3 million and $89.6 million, respectively, based on an independent appraisal.

Centennial Disposition. In July 1998, the Company completed the sale of the assets of radio stations WRNO-FM, KMEZ-FM and WBYU-AM in New Orleans, Louisiana to Centennial Broadcasting for $16.1 million in cash and recognized a loss on the sale of $2.9 million. The Company acquired KMEZ-FM in connection with the River City Acquisition in May of 1996 and acquired WRNO-FM and WBYU-AM in New Orleans from Heritage Media Group, Inc. ("Heritage") in July 1998. The Company was required to divest WRNO-FM, KMEZ-FM and WBYU-AM to meet certain regulatory ownership guidelines.

Greenville Acquisition. In July 1998, the Company acquired three radio stations in the Greenville/Spartanburg market from Keymarket Radio of South Carolina, Inc. for a purchase price consideration involving the forgiveness of approximately $8.0 million of indebtedness to Sinclair. Concurrently with the acquisition, the Company acquired an additional two radio stations in the same market from Spartan Broadcasting for a purchase price of approximately $5.2 million. The acquisition was accounted for under the purchase method of accounting whereby the purchase price was allocated to property and acquired intangible broadcasting assets for $5.0 million and $10.1 million, respectively, based on an independent appraisal.

Radio Unica Disposition. In July 1998, the Company completed the sale of KBLA-AM in Los Angeles, California to Radio Unica, Corp. for approximately $21.0 million in cash. In connection with the disposition, the Company recognized a $8.4 million gain.

PENDING ACQUISITIONS AND DISPOSITIONS

Buffalo Acquisition. In August 1998, the Company entered into an agreement with Western New York Public Broadcasting Association to acquire the television station WNEQ in Buffalo, NY for a purchase price of $33 million in cash (the "Buffalo Acquisition"). The Company expects to close the sale upon FCC approval and the termination of the applicable waiting period under the HSR Act. In addition, the sale is contingent upon FCC de-reservation of the station for commercial use.

St. Louis Radio Acquisition. In August 1998, the Company entered into an agreement to acquire radio station KXOK-FM in St. Louis, Missouri for a purchase price of $14.1 million in cash. The purchase price is subject to be increased or decreased, depending upon whether or not closing occurs within 210 days of the agreement. The Company expects to close the purchase upon FCC approval.

Guy Gannett Acquisition. In September 1998, the Company agreed to acquire from Guy Gannett Communications its television broadcasting assets for a purchase price of $317 million in cash (the "Guy Gannett Acquisition"). As a result of this transaction, the Company will acquire seven television stations in six markets. The FCC must approve the Guy Gannett Acquisition, which the Company expects to complete in the first quarter of 1999. The Company expects to finance the acquisition with a combination of bank borrowings and the use of cash proceeds resulting from the Company's planned disposition of certain broadcast assets.

Ackerley Disposition. In September 1998, the Company agreed to sell WOKR-TV in Rochester, New York to The Ackerley Group, Inc. for a sales price of $125 million (the "Ackerley Disposition"). The Company previously entered into an agreement to acquire WOKR-TV as part of the Guy Gannett Acquisition. The FCC must approve the disposition, which the Company expects to close in the second quarter of 1999.

12. SECURITIES ISSUANCES AND COMMON STOCK SPLIT:

COMMON STOCK SPLIT

On April 30, 1998, the Company's Board of Directors approved a two-for-one stock split of its Class A and Class B Common Stock to be distributed in the form of a stock dividend. As a result of this action, 23,963,013 and 24,984,432 shares of Class A and Class B Common Stock, respectively, were issued to shareholders of record as of May 14, 1998. The stock split has been retroactively reflected in the accompanying consolidated financial statements and related notes thereto.

1997 COMMON STOCK OFFERING

In September 1997, the Company and certain stockholders of the Company completed a public offering of 8,690,000 and 3,500,000 shares, respectively of Class A Common Stock (the "1997 Common Stock Offering"). The shares were sold pursuant to the Shelf Registration for an offering price of $18.25 per share and generated proceeds to the Company of $151.0 million, net of underwriters' discount and other offering costs of $7.6 million. The Company utilized a significant portion of the 1997 Common Stock Offering proceeds to repay indebtedness under the 1997 Bank Credit Agreement.

1997 PREFERRED STOCK OFFERING

Concurrent with the 1997 Common Stock Offering, the Company completed a public offering of 3,450,000 shares of Series D Convertible Exchangeable Preferred Stock (the "1997 Preferred Stock Offering"). The shares were sold pursuant to the Shelf Registration at an offering price of $50 per share and generated proceeds to the Company of $166.9 million, net of underwriters' discount and other offering costs of $5.0 million.

The Convertible Exchangeable Preferred Stock have a liquidation preference of $50 per share and a stated annual dividend of $3.00 per share payable quarterly out of legally available funds and are convertible into shares of Class A Common Stock at the option of the holders thereof at a conversion price of $22.813 per share, subject to adjustment. The shares of Convertible Exchangeable Preferred Stock are exchangeable at the option of the Company, for 6% Convertible Subordinated Debentures of the Company, due 2012, and are redeemable at the option of the Company on or after September 20, 2000 at specified prices plus accrued dividends.

The Company received total net proceeds of $317.9 million from the 1997 Preferred Stock Offering and the 1997 Common Stock Offering. The Company utilized $285.7 million of the net proceeds from the 1997 Preferred Stock Offering and the 1997 Common Stock Offering to repay outstanding borrowings under the revolving credit facility, $8.9 million to repay outstanding amounts under the Tranche A term loan of the 1997 Bank Credit Agreement and retained the remaining net proceeds of approximately $23.3 million for general corporate purposes.

1997 OFFERING OF COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUST

In March 1997, the Company completed a private placement of $200 million aggregate liquidation value of 11⅝% High Yield Trust Offered Preferred Securities (the "HYTOPS") of Sinclair Capital, a subsidiary trust of the Company. The HYTOPS were issued March 12, 1997, mature March 15, 2009, and provide for quarterly distributions to be paid in arrears beginning June 15, 1997. The HYTOPS were sold to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended) and a limited number of institutional "accredited investors" and the offering was exempt from registration under the Securities Act of 1933, as amended ("the Securities Act"), pursuant to Section 4(2) of the Securities Act and Rule 144A thereunder. The Company utilized $135 million of the approximately $192.8 million net proceeds of the private placement to repay outstanding debt and retained the remainder for general corporate purposes, which included the acquisition of KUPN-TV in Las Vegas, Nevada.

Pursuant to a Registration Rights Agreement entered into in connection with the private placement of the HYTOPS, the Company offered holders of the HYTOPS the right to exchange the HYTOPS for new HYTOPS having the same terms as the existing securities, except that the exchange of the new HYTOPS for the existing HYTOPS has been registered under the Securities Act. On May 2, 1997, the Company filed a registration statement on Form S-4 with the Commission for the purpose of registering the new HYTOPS to be offered in exchange for the aforementioned existing HYTOPS issued by the Company in March 1997 (the "Exchange Offer"). The Company's Exchange Offer was closed and became effective August 11, 1997, at which time all of the existing HYTOPS were exchanged for new HYTOPS.

Amounts payable to the holders of HYTOPS are recorded as "Subsidiary trust minority interest expense" in the accompanying financial statements and were $18.6 million and $23.3 million for the years ended December 31, 1997 and 1998, respectively.

1998 COMMON STOCK OFFERING

On April 14, 1998, the Company and certain stockholders of the Company completed a public offering of 12,000,000 and 4,060,374 shares, respectively, of Class A Common Stock (the "1998 Common Stock Offering"). The shares were sold for an offering price of $29.125 per share and generated proceeds to the Company of $335.1 million, net of underwriters' discount and other offering costs of approximately $14.4 million. The Company utilized the proceeds to repay indebtedness under the 1997 Bank Credit Agreement.

13. STOCK-BASED COMPENSATION PLANS:

STOCK OPTION PLANS

Designated Participants Stock Option Plan—In connection with the Company's initial public offering in June 1995 (the "IPO"), the Board of Directors of the Company adopted an Incentive Stock Option Plan for Designated Participants (the Designated Participants Stock Option Plan) pursuant to which options for shares of Class A Common Stock were granted to certain key employees of the Company. The Designated Participants Stock Option Plan provides that the number of shares of Class A Common Stock reserved for issuance under the Designated Participants Stock Option Plan is 136,000. Options granted pursuant to the Designated Participants Stock Option Plan must be exercised within 10 years following the grant date. As of December 31, 1998, all 136,000 available options have been granted.

Long-Term Incentive Plan—In June 1996, the Board of Directors adopted, upon approval of the stockholders by proxy, the 1996 Long-Term Incentive Plan of the Company (the "LTIP"). The purpose of the LTIP is to reward key individuals for making major contributions to the success of the Company and its subsidiaries and to attract and retain the services of qualified and capable employees. Options granted pursuant to the LTIP must be exercised within 10 years following the grant date. A total of 14,000,000 shares of Class A Common Stock are reserved for awards under the plan. As of December 31, 1998, 8,754,370 shares have been granted under the LTIP and 5,879,880 shares are available for future grants.

Incentive Stock Option Plan—In June 1996, the Board of Directors adopted, upon approval of the stockholders by proxy, an amendment to the Company's Incentive Stock Option Plan (the "ISOP"). The purpose of the amendment was (i) to increase the number of shares of Class A Common Stock approved for issuance under the plan from 800,000 to 1,000,000, (ii) to lengthen the period after date of grant before options become exercisable from two years to three and (iii) to provide immediate termination and three-year ratable vesting of options in certain circumstances. Options granted pursuant to the ISOP must be exercised within 10 years following the grant date. As of December 31, 1998, 714,200 shares have been granted under the ISOP and 464,834 shares are available for future grants.

A summary of changes in outstanding stock options is as follows:

	Options	Weighted-Average Exercise Price	Exercisable	Weighted-Average Exercise Price
Outstanding at end of 1995	136,000	$10.50	—	—
1996 Activity:				
Granted	3,809,570	15.75	—	—
Exercised	—	—	—	—
Forfeited	(7,500)	10.50	—	—
Outstanding at end of 1996	3,938,070	15.58	1,472,436	$15.06
1997 Activity:				
Granted	548,900	16.87	—	—
Exercised	(10,000)	10.50	—	—
Forfeited	(252,400)	17.85	—	—
Outstanding at end of 1997	4,224,570	17.10	2,428,152	14.91
1998 Activity:				
Granted	5,352,500	25.08		
Exercised	(86,666)	12.96		
Forfeited	(820,284)	23.19		
Outstanding at end of 1998	8,670,120	$20.76	3,245,120	$15.01

Additional information regarding stock options outstanding at December 31, 1998, is as follows:

Outstanding	Exercise Price	Weighted-Average Remaining Vesting Period (In Years)	Weighted-Average Remaining Contractual Life (In Years)	Exercisable	Weighted-Average Exercise Price
58,500	$ 10.50	—	6.44	58,500	$10.50
3,387,870	15.06	0.24	7.49	3,173,620	15.06
527,500	17.81–18.88	1.44	7.94	—	—
37,000	20.94	1.96	8.97	—	—
18,000	22.88–24.18	3.77	9.61	—	—
3,268,750	24.20	3.64	9.13	13,000	24.20
352,500	24.25–27.73	3.76	9.41	—	—
1,020,000	28.08–28.42	4.18	9.69	—	—
8,670,120	$ 20.76	2.21	8.48	3,245,120	$15.01

PRO FORMA INFORMATION RELATED TO STOCK-BASED COMPENSATION

As permitted under SFAS 123, "Accounting for Stock-Based Compensation," the Company measures compensation expense for its stock-based employee compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and provides pro forma disclosures of net income and earnings per share as if the fair value-based method prescribed by SFAS 123 had been applied in measuring compensation expense.

Had compensation cost for the Company's 1995, 1996, and 1997 grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income, net income applicable to common share before extraordinary items, and net income per common share for these years would approximate the pro forma amounts below (in thousands except per share data):

	1996		1997		**1998**	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss) before extraordinary item	$1,131	$(1,639)	$ (4,496)	$ (5,871)	**$ (5,817)**	**$(13,629)**
Net income (loss)	$1,131	$(1,639)	$(10,566)	$(11,941)	**$(16,880)**	**$(24,692)**
Net income (loss) available to common shareholders	$1,131	$(1,639)	$(13,329)	$(14,704)	**$(27,230)**	**$(35,042)**
Basic net income per share before extraordinary items	$ .02	$ (.02)	$ (.10)	$ (.12)	**$ (.17)**	**$ (.25)**
Basic net income per share after extraordinary items	$ .02	$ (.02)	$ (.19)	$ (.20)	**$ (.29)**	**$ (.37)**
Diluted net income per share before extraordinary items	$ .02	$ (.02)	$ (.10)	$ (.12)	**$ (.17)**	**$ (.25)**
Diluted net income per share after extraordinary items	$ .02	$ (.02)	$ (.19)	$ (.20)	**$ (.29)**	**$ (.37)**

The Company has computed for pro forma disclosure purposes the value of all options granted during 1996, 1997, and 1998 using the Black-Scholes option pricing model as prescribed by SFAS No. 123 using the following weighted average assumptions:

	Years Ended December 31,		
	1996	1997	**1998**
Risk-free interest rate	6.66%	5.66–6.35%	**4.54–5.68%**
Expected lives	5 years	5 years	**6 years**
Expected volatility	35%	35%	**41%**

Adjustments are made for options forfeited prior to vesting.

14. EARNINGS PER SHARE:

The Company adopted SFAS 128 "Earnings per Share" which requires the restatement of prior periods and disclosure of basic and diluted earnings per share and related computations.

	The Years Ended		
	1996	1997	**1998**
Weighted-average number of common shares	69,496	71,902	**94,321**
Dilutive effect of outstanding stock options	340	238	**1,083**
Dilutive effect of conversion of preferred shares	4,926	8,016	**288**
Weighted-average number of common equivalent shares outstanding	74,762	80,156	**95,692**
Net income (loss) before extraordinary item	$ 1,131	$ (4,496)	**$ (5,817)**
Net income (loss)	$ 1,131	$(10,566)	**$(16,880)**
Preferred stock dividends payable	—	(2,763)	**(10,350)**
Net income (loss) available to common shareholders	$ 1,131	$(13,329)	**$(27,230)**
Basic net income (loss) per share before extraordinary items	$ .02	$ (.10)	**$ (.17)**
Basic net income (loss) per share after extraordinary items	$ .02	$ (.19)	**$ (.29)**
Diluted net income (loss) per share before extraordinary items	$ .02	$ (.10)	**$ (.17)**
Diluted net income (loss) per share after extraordinary items	$ .02	$ (.19)	**$ (.29)**

15. FINANCIAL INFORMATION BY SEGMENT:

The Company consists of two principal business segments—television broadcasting and radio broadcasting. As of December 31, 1998 the Company owns or provides programming services pursuant to LMAs to 56 television stations located in 36 geographically diverse markets in the continental United States. The Company owns 51 radio stations in ten geographically diverse markets. Substantially all revenues represent income from unaffiliated companies.

	Television Years Ended December 31,	
	1997	1998
Net broadcast revenues	$ 407,410	$ 564,727
Barter revenues	42,468	59,697
Total revenues	449,878	624,424
Station operating expenses	153,935	220,537
Expenses from barter arrangements	38,114	54,067
Depreciation, program amortization and stock-based compensation	80,799	97,578
Amortization of intangibles and other assets	57,897	82,555
Station broadcast operating income	$ 119,133	$ 169,687
Total assets	$1,736,149	$3,293,809
Capital expenditures	$ 16,613	$ 15,694
Payments of program contracts payable	$ 48,609	$ 61,107

	Radio Years Ended December 31,	
	1997	1998
Net broadcast revenues	$ 63,818	$ 108,079
Barter revenues	2,739	4,301
Total revenues	66,557	112,380
Station operating expenses	44,327	66,604
Depreciation, program amortization and stock-based compensation	5,167	7,260
Amortization of intangibles and other assets	9,943	15,817
Station broadcast operating income	$ 7,120	$ 22,699
Total assets	$ 298,085	$ 560,773
Capital expenditures	$ 2,812	$ 3,732
Payments of program contracts payable	$ 2,450	$ 3,160

16. UNAUDITED PRO FORMA SUMMARY RESULTS OF OPERATIONS:

The following unaudited pro forma summary presents the consolidated results of operations for the years ended December 31, 1997 and 1998 as if significant acquisitions and dispositions completed through December 31, 1998 had occurred at the beginning of 1997. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had significant acquisitions and dispositions been made as of that date or of results which may occur in the future.

	(Unaudited) 1997	(Unaudited) 1998
Net revenues	$715,086	$ 761,977
Net income before extraordinary item	$ 2,544	$ (11,431)
Net loss	$ (3,595)	$ (22,494)
Basic and diluted loss per common share before extraordinary item	$ (0.09)	$ (0.22)
Net loss available to common shareholders	$ (13,945)	$ (32,844)
Basic and diluted loss per common share	$ (0.15)	$ (0.34)

17. SUBSEQUENT EVENTS:

In February 1999, the Company entered into an agreement to sell to Communications Corporation of America ("CCA") the non-license assets of KETK-TV and KLSB-TV in Tyler-Longview, Texas for a sales price of $34.0 million (the "CCA Disposition"). In addition, the Company sold a purchase option for the License Assets of KETK-TV for $2.0 million and CCA can exercise its option for an option exercise price of $2.0 million. The Company expects to close the transaction in the second quarter of 1999 and closing is subject to Department of Justice approval.

In March 1999, the Company entered into an agreement to sell to STC the television stations WICS-TV in the Springfield, Illinois market and KGAN-TV in the Cedar Rapids, Iowa market. In addition, the Company agreed to sell the Non-License Assets and rights to program WICD in the Springfield, Illinois market. The stations are being sold to STC for a sales price of $81.0 million and are being acquired by the Company in connection with the Guy Gannett Acquisition.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of
Sinclair Broadcast Group, Inc.:

We have audited the accompanying consolidated balance sheets of Sinclair Broadcast Group, Inc. (a Maryland corporation) and Subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sinclair Broadcast Group, Inc. and Subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Baltimore, Maryland,
February 9, 1999 except
for Note 17, as to which
the date is March 16, 1999

MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Class A Common Stock of the Company is listed for trading on the Nasdaq stock market under the symbol SBGI. The following table sets forth for the periods indicated the high and low sales prices on the Nasdaq stock market.

1997	High	Low
First Quarter	$15.500	$11.500
Second Quarter	15.438	11.625
Third Quarter	20.188	14.250
Fourth Quarter	23.313	16.813
1998	**High**	**Low**
First Quarter	$29.250	$21.438
Second Quarter	31.125	23.313
Third Quarter	30.125	15.875
Fourth Quarter	20.000	6.750

As of March 23, 1999, there were approximately 103 stockholders of record of the common stock of the Company. This number does not include beneficial owners holding shares through nominee names. Based on information available to it, the Company believes it has more than 5,000 beneficial owners of its Class A Common Stock.

The Company generally has not paid a dividend on its common stock and does not expect to pay dividends on its common stock in the foreseeable future. The 1998 Bank Credit Agreement and certain subordinated debt of the Company generally prohibit the Company from paying dividends on its common stock. Under the indentures governing the Company's 10% Senior Subordinated Notes due 2005, 9% Senior Subordinated Notes due 2007 and $8^3/_4$% Senior Subordinated Notes due 2007, the Company is not permitted to pay dividends on its common stock unless certain specified conditions are satisfied, including that (i) no event of default then exists under the indenture or certain other specified agreements relating to indebtedness of the Company and (ii) the Company, after taking account of the dividend, is in compliance with certain net cash flow requirements contained in the indenture. In addition, under certain senior unsecured debt of the Company, the payment of dividends is not permissible during a default thereunder.

SINCLAIR BROADCAST GROUP, INC.

GENERAL MANAGERS/TELEVISION

William L. Aber, *WXLV/WUPN, Winston-Salem, NC*
Daniel Jay Cohen, *KBSI/WDKA, Cape Girardeau, MO*
Willis Milton Davis, *WLOS/WFBC, Asheville, NC*
Charles A. DeVendra, *WRGT/WKEF, Dayton, OH*
Gerry Fenske, *WSMH, Flint, MI*
Robert F. Finke, *KOVR, Sacramento, CA*
David Ford, *WMSN, Madison, WI*
Bob W. Franklin, *WCHS/WVAH, Charleston, WV*
Melissa M. Gaines, *KSMO, Kansas City, KS/MO*
C. Edwin Groves, *WEMT, Johnson City, TN*
Mark A. Higgins, *KVWB/KFBT, Las Vegas, NV*
Matthew L. Kreiner, *WUHF, Rochester, NY*
Carl M. Leahy, *WEAR/WFGX, Pensacola, FL*
Susan W. Lucas, *WLFL/WRDC, Raleigh, NC*
Stephen A. Mann, *WTTO/WABM / WDBB, Birmingham, AL*
Daniel P. Mellon, *KMWB, Minneapolis, MN*
Brandt A. Minnick, *WRLH, Richmond, VA*
Donald Moran, *WUTV, Buffalo, NY*
Kevin F. Moylan, *WDKY, Lexington, KY*
Joseph C. Muller, *KOCB/KOKH, Oklahoma City, OK*
Aaron R. Olander, *WSYT/WNYS, Syracuse, NY*
Philip M. Paligraf, *WTTV/WTTK, Indianapolis, IN*
Otis M. Pickett III, *WTAT/WMMP, Charleston, SC*
William H. Pulliam, *WSTR, Cincinnati, OH*
Michael J. Pumo, *WCGV/WVTV, Milwaukee, WI*
Scott J. Sanders, *WTVZ, Norfolk, VA*
Samuel S. Stallworth Jr., *WSYX/WTTE, Columbus, OH*
Theodore J. Stephens, *KDSM, Des Moines, IA, /WYZZ, Peoria, IL*
Thomas L. Tipton, *KDNL, St. Louis, MO*

REGIONAL MANAGERS/RADIO

Johnny Andrews, *New Orleans, LA Radio Group*
Lon Bason, *St. Louis, MO Radio Group*
Gerald Getz, *Wilkes-Barre/Scranton, PA Radio Group*
Terrence Rodda, *Buffalo, NY Radio Group*
Larry Saunders, *Norfolk, VA Radio Group*

GENERAL MANAGERS/RADIO

Al Green, Buffalo, *NY Radio Group*
Randy Grossert, *Kansas City, KS/MO Radio Group*
Craig Hodgson, *Milwaukee, WI Radio Group*
John Kijowski, *St. Louis, MO Radio Group*
Annell Kirkland, *Greenville/Spartanburg, SC Radio Group*
Pam Malcy, *Kansas City, KS/MO Radio Group*
Eric Mastel, *Norfolk, VA Radio Group*
Ken Miller, *New Orleans, LA Radio Group*
Curt Peterson, *Memphis, TN Radio Group*
Larry Robb, *Buffalo, NY Radio Group*
Pat Rosiello, *Greenville/Spartanburg, SC Radio Group*
Gary Weiss, *Greensboro/Winston-Salem, NC Radio Group*
Dave Davies, *Wilkes-Barre/Scranton, PA Radio Group*

OFFICERS

David D. Smith
President and Chief Executive Officer

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President and Secretary

David B. Amy
Chief Financial Officer

Patrick J. Talamantes
Treasurer

BOARD OF DIRECTORS

David D. Smith
Chairman of the Board, President and Chief Executive Officer

Frederick G. Smith
Vice President

J. Duncan Smith
Vice President and Secretary

Robert E. Smith
Director

Lawrence E. McCanna
Managing Partner, Gross, Mendelsohn & Associates, P.A.

Basil A. Thomas
Of Counsel, Thomas & Libowitz, P.A.

KEY EXECUTIVES

Kerby E. Confer
Chairman, Radio

Barry P. Drake
Chief Executive Officer, Radio

Robert D. Gluck
Regional Director, TV

Michael D. Granados
Regional Director, TV

Steven M. Marks
Regional Director, TV

Craig Millar
Regional Director, TV

Stuart B. Powell
Regional Director, TV

John T. Quigley
Regional Director, TV

Frank W. Bell
VP/Programming, Radio

M. William Butler
VP/Group Program Director, TV

Lynn A. Deppen
VP/Engineering, Radio

Michael Draman
VP/TV Sales and Marketing, TV

Stephen A. Eisenberg
VP/Director of National Sales, TV

Nat S. Ostroff
VP/New Technology, TV

Delbert R. Parks III
VP/Operations and Engineering, TV

Robert E. Quicksilver
VP/General Counsel, TV/Radio

Thomas E. Severson
Corporate Controller

Michael E. Sileck
VP/Finance, TV/Radio

Jeffrey W. Sleete
VP/Sales and Marketing, Radio

Robin A. Smith
Chief Financial Officer, Radio

Donald H. Thompson
Director of Human Resources

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at the Sheraton Baltimore North Hotel, 903 Dulaney Valley Road, Towson, MD 21204 on Tuesday, May 11, 1999, at 10:00 a.m.

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen, LLP
120 East Baltimore Street
Baltimore, MD 21202

TRANSFER AGENT AND REGISTRAR

ChaseMellon Shareholder Services, LLP
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660

FORM 10-K, ANNUAL REPORT

A copy of Sinclair Broadcast Group's 1998 Form 10-K as filed with the Securities and Exchange Commission is available upon written request by contacting:

Patrick J. Talamantes
Treasurer
Sinclair Broadcast Group, Inc.
2000 West 41st Street
Baltimore, MD 21211-1420
E-mail: *ir@sbgnet.com*
or visit our Investor Relations site on the World Wide Web at *www.sbgi.net.*

COMMON STOCK

The Company's Common Stock trades on the Nasdaq National Market tier of the Nasdaq℠ Stock Market under the symbol SBGI.

CONVERTIBLE PREFERRED STOCK

The Company's Convertible Preferred Stock trades on the Nasdaq National Market tier of the Nasdaq℠ Stock Market under the symbol SBGIP.

The matters discussed in this annual report include forward-looking statements. When used in this annual report, the words "intends to," "believes," "anticipates," "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to a number of risks and uncertainties. Actual results in the future could differ materially and adversely from those described in the forward-looking statements as a result of various important factors, including the impact of changes in national and regional economies, successful integration of acquired television and radio stations (including achievement of synergies and cost reductions), pricing fluctuations in local and national advertising, volatility in programming costs, the availability of suitable acquisitions on acceptable terms and the other risk factors set forth in the Company's prospectus filed with the Securities and Exchange Commission on April 19, 1998, pursuant to rule 424(b)(5). The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

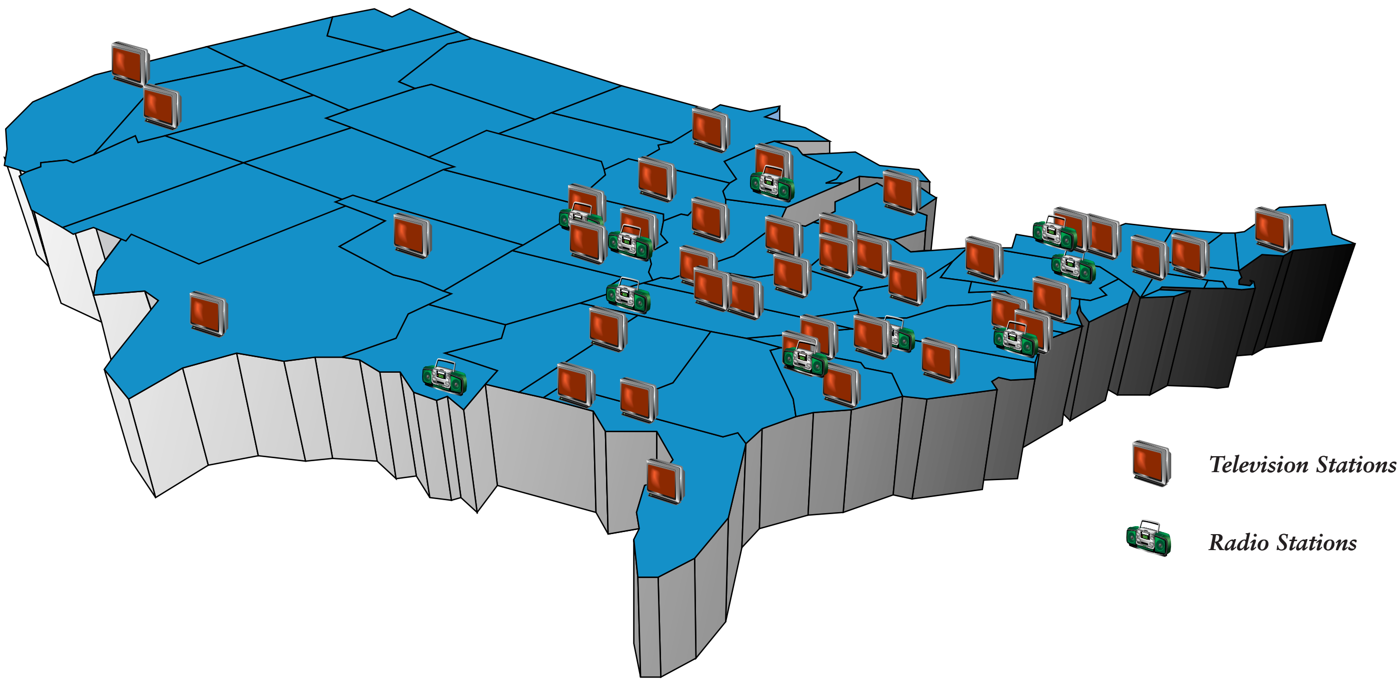
Designed by Curran & Connors, Inc. / www.curran-connors.com

Radio Stations

Buffalo, NY
Greensboro/
Winston-Salem/
Highpoint, NC
Greenville/Spartanburg, SC
Kansas City, MO
Memphis, TN
Milwaukee, WI
New Orleans, LA
Norfolk, VA
St. Louis, MO
Wilkes-Barre/Scranton, PA

TV Stations

Asheville, NC/Greenville, SC
Baltimore, MD
Birmingham, AL
Buffalo, NY
Charleston, SC
Charleston/Huntington, WV
Cincinnati, OH
Columbus, OH
Dayton, OH
Des Moines, IA
Flint/Saginaw/Bay City, MI
Greensboro/
Winston-Salem/
Highpoint, NC
Indianapolis, IN
Kansas City, MO
Las Vegas, NV
Lexington, KY
Madison, WI
Milwaukee, WI
Minneapolis, MN
Mobile/Pensacola, FL
Nashville, TN
Norfolk, VA
Oklahoma City, OK
Paducah, KY/
Cape Girardeau, MO
Peoria/Bloomington, IL
Pittsburgh, PA
Portland, ME
Raleigh-Durham, NC
Richmond, VA
Rochester, NY
Sacramento, CA
San Antonio, TX
Springfield, MA
St. Louis, MO
Syracuse, NY
Tallahassee, FL
Tampa/St. Petersburg, FL
Tri-Cities, TN



SINCLAIR BROADCAST GROUP